

1 IN THE UNITED STATES DISTRICT COURT

2 IN AND FOR THE DISTRICT OF DELAWARE

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4 INTERNATIONAL BUSINESS MACHINES
CORPORATION,

: CIVIL ACTION

5 Plaintiff,

6 v

7 GROUPON, INC.,

: NO. 16-122-LPS

8 Defendant.

9 - - -
10 Wilmington, Delaware
Wednesday, July 25, 2018
Jury Trial - Volume H

11 - - -
12 BEFORE: HONORABLE LEONARD P. STARK, Chief Judge, and a jury

13 APPEARANCES:

14 POTTER ANDERSON & CORROON, LLP
15 BY: DAVID E. MOORE, ESQ.,
16 BINDU A. PALAPURA, ESQ., and
STEPHANIE E. O'BYRNE, ESQ.

17 and

18 DESMARAIS, LLP
19 BY: JOHN DESMARAIS, ESQ.,
20 KARIM Z. OUSSAYEF, ESQ.,
21 LAURIE STEPLER, ESQ.,
22 KEVIN K. McNISH, ESQ.,
MICHAEL MATULEWICZ-CROWLEY, ESQ.
ROBERT C. HARRITS, ESQ.,
BRIAN D. MATTY, ESQ., and
EDWARD GEIST, ESQ.
(New York, New York)

23 Counsel for Plaintiff

24
25 Dale Hawkins
Registered Merit Reporter

Brian P. Gaffigan
Registered Merit Reporter

1 APPEARANCES: (Continued)

2 ASHBY & GEDDES, P.A.

3 BY: JOHN G. DAY, ESQ., and
4 ANDREW C. MAYO, ESQ.

5 and

6 FENWICK & WEST, LLP

7 BY: J. DAVID HADDEN, ESQ.,
8 SAINA M. SHAMILOV, ESQ.
9 PHILLIP J. HAACK, ESQ.
10 SAPNA MEHTA, ESQ.
11 JESSICA M. KAEMPF, ESQ.,
12 ATHUL ACHARYA, ESQ., and
13 JESSICA BENZLER, ESQ.
14 (Mountainview, California)

15 Counsel for Defendants

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23 P R O C E E D I N G S

24 (REPORTER'S NOTE: The following jury trial was
25 held in open court, beginning at 8:39 a.m.)

1 THE COURT: Good morning.

2 (The attorneys respond, "good morning, Your
3 Honor.")

4 THE COURT: Before we get back to jury
5 instructions, any issues from IBM about anything that was
6 going to happen today?

7 MR. OUSSAYEF: No issues from IBM, Your Honor.

8 THE COURT: And from Groupon?

9 MR. HAACK: One short issue, Your Honor.

10 THE COURT: Okay. Good morning. Come on up.

11 MR. HAACK: Good morning. Phil Haack for
12 Groupon.

13 Your Honor, we had one request that was a
14 demonstrative that plaintiff used during this trial. I'm
15 going to put it on the Elmo here.

16 I requested the exhibit number be redacted off
17 of this so the jury isn't confused as to the difference
18 between an exhibit and the demonstrative that was used.

19 So you will see there is several exhibit numbers
20 on here. Plaintiffs have sort of written off PDX next to
21 it. But our position is it's still pretty confusing to the
22 jury. They're not going to be clear on the difference
23 between PX and PDX.

24 THE COURT: Well, what we're looking at is
25 PDX-1600, a demonstrative, which is a markup of PX-103; is

1 that correct?

2 MR. HAACK: I think it's PX-1600 and then the
3 PX-103, and then PDX, the PX has been crossed off and PDX
4 written next to it.

5 THE COURT: Okay. So you just want this to be
6 designated as a demonstrative exhibit.

7 MR. HAACK: And we were also asking for the PX
8 labels to be redacted to avoid jury confusion.

9 THE COURT: Okay. Is there an objection to
10 this?

11 MR. OUSSAYEF: Your Honor, we don't think there
12 is any risk of confusion. The jury saw that there was an
13 exhibit with a PX-103 and then it was marked up during
14 testimony. We're not going to say this is an exhibit and it
15 won't go back to the jury, so we don't think there is any
16 confusion on this issue.

17 THE COURT: Well, I think there is confusion on
18 the issue. What is the prejudice to just obscuring the
19 exhibit labels and saying this is -- it's been given a
20 demonstrative number, hasn't it?

21 MR. OUSSAYEF: Yes, Your Honor. In that case,
22 we have no objection to redacting that.

23 THE COURT: Let's redact the exhibit labels
24 and you are certainly free to say as you saw, this is PX
25 whatever but it's marked up and now it's called PDX

1 whatever.

2 MR. OUSSAYEF: Thank you, Your Honor.

3 THE COURT: Okay. Is there anything else from
4 Groupon?

5 MR. HAACK: Sorry. One quick clarification,
6 Your Honor, since you said labels. There is also a
7 handwritten PX on page 3 of the demonstrative.

8 THE COURT: And I don't remember, did counsel
9 handwrite that during?

10 MR. HAACK: I believe so. I was not here that
11 day, but that was my understanding.

12 MR. OUSSAYEF: Yes, Your Honor. It was
13 handwritten because the witness was testifying that PX-1224
14 corresponded to the buy button here. So it's a markup.
15 It's not meant to be a sticker or anything of that nature.

16 THE COURT: Well, we will redact that as well
17 for the same reason.

18 MR. OUSSAYEF: All right.

19 MR. HAACK: Thank you, Your Honor. Nothing
20 else.

21 THE COURT: All right. Then let's talk about
22 jury instructions.

23 We got a series of letters last night. I don't
24 know if there has been any further meeting and conferring
25 this morning or any developments, but does somebody from IBM

1 want to come up and tell me where you think the remaining
2 disputes are that you might want to help me with?

3 Good morning.

4 MR. GEIST: Good morning, Your Honor. Edward
5 Geist for IBM.

6 So if Your Honor is asking about --

7 THE COURT: We'll stop the clock now, so go
8 ahead.

9 MR. GEIST: Thank you. If Your Honor is asking
10 about the letters that went in, there has been no more
11 agreement between the parties since the letters went in.

12 THE COURT: But we are in agreement on the
13 30(b)(6) witnesses that I should list; correct?

14 MR. GEIST: That is correct. The list was an
15 exchange between the parties.

16 THE COURT: And it seemed like you all came
17 pretty close to an agreement on the willfulness language.

18 MR. GEIST: I would say close, but there is one
19 particular issue we have with the proposal by Groupon.

20 THE COURT: Do you want to focus me on that
21 again?

22 MR. GEIST: That "and" here, Your Honor. A-n-d.
23 So the "and" is incorrect.

24 THE COURT: Come back to the microphone so we
25 can all hear you.

1 MR. GEIST: So the "and" is incorrect and not
2 included. We provided a secondary construction if Your
3 Honor is not inclined to take our original proposed
4 instruction.

5 THE COURT: I think it was "and/or willful" that
6 was a little bit confusing. It was unclear what you meant
7 by that.

8 MR. GEIST: Yes, Your Honor. So given Your
9 Honor feels that is confusing, we provided secondary or
10 backup instruction here. This one does not include the
11 "and" language except the "reckless" part. Instead, it has
12 the parties agreed language up until that, and then Groupon,
13 just the Supreme Court's statement of the Seagate test. So
14 there shouldn't be any guess about whether it's the correct
15 test. Both parties included that in their proposed
16 instruction. Ours doesn't include the "reckless" and which
17 we say is incorrect and not based on the case law.

18 THE COURT: Okay. I will hear from Groupon on
19 just the 30(b)(6) and the willfulness and then we will move
20 on to the attributed infringement.

21 I think on 30(b)(6), there is an agreement.

22 MS. SHAMILOV: There is an agreement, Your
23 Honor.

24 So what you see here that we did in our letter,
25 the parties had an agreed language, as the Groupon proposes

1 and what we have added. I just heard counsel say they have
2 an issue with "and." But everything before Groupon
3 proposes, the parties already agreed, and so what we propose
4 here is following your instruction and just adopting the
5 language from Judge Burke's order. And we can, you know,
6 remove "and." That seems to be to be the issue.

7 THE COURT: What is wrong with their second
8 alternative: To prove willful infringement, IBM must prove
9 that Groupon acted despite a risk of infringement that was
10 either known or so obvious that it should have been known to
11 Groupon?

12 MS. SHAMILOV: Yeah. So I think there are two
13 issues with that. One is it misses recklessness which the
14 parties agreed in our proposed construction the "reckless"
15 word to be there. And it also, I think that the risk
16 language, right?, that is not in Judge Burke's order because
17 it is confusing. Sure, that may be case law but it is a
18 subjective test. So the language we proposed tracks that
19 exactly, just removes that what is the risk language. That
20 it is unclear and unnecessary because ours says: And
21 Groupon knew or should have known that its conduct amounted
22 to infringement of the patents.

23 THE COURT: All right. Anything else on that?

24 MR. GEIST: I'll just note, Your Honor, that the
25 "and" was not agreed. I'll show you the instructions as

1 they went in.

2 The "and/or willful," Your Honor, is right here.
3 That was the "and/or willful" was part of IBM's proposed
4 construction that Groupon objected to.

5 THE COURT: All right. And Groupon requests
6 that I change all the references to direct infringement to
7 simply be infringement. Do you oppose that?

8 MR. GEIST: No, Your Honor.

9 THE COURT: Okay. Then we will make that
10 change.

11 All right. Then let's talk to attributed
12 infringement. We'll here from IBM first.

13 And I guess let me start, where I'm seeing the
14 issue is I need to understand what claim limitation is it
15 that a reasonable jury could find that Groupon did not
16 perform but that a user, an enduser using the phone or their
17 mobile device or a computer performed at the direction and
18 control of Groupon. Do you agree that that is the
19 appropriate question I should be asking in resolving this
20 dispute.

21 MR. GEIST: Your Honor, with the caveat that the
22 direction and control test has been clarified through Travel
23 Sentry to have an explanation that is implicated in our
24 memo.

25 THE COURT: We can come to that explanation in a

1 moment. But focusing on my question then, tell me which
2 claim limitation it is or claim limitations that you say a
3 reasonable juror, based on evidence presented in court,
4 could reasonably find Groupon didn't do this, the enduser
5 did, and they did it at the direction and control of
6 Groupon.

7 MR. GEIST: Your Honor, we turned to identifying
8 in our memo the storing step that has been in the '967
9 patent.

10 THE COURT: So, for instance, I have claim 1 of
11 the '967 in front of me.

12 MR. GEIST: Sorry, Your Honor. '849.

13 MR. OUSSAYEF: No, both.

14 MR. GEIST: And the '967.

15 THE COURT: We can do whichever within you want.
16 Which one do you want to do?

17 MR. GEIST: '967, Your Honor.

18 THE COURT: '967, claim 1?

19 MR. GEIST: Sorry, Your Honor. I'm getting a
20 copy of the patent.

21 THE COURT: That's fine.

22 MR. OUSSAYEF: So, Your Honor, there is, in the
23 '967 patent, there is not an explicit storing step. It
24 says: The objects being retrieved from the objects stored
25 in the respective reception system or if unavailable from

1 the objects stored in the respective reception system, then
2 from the network.

3 I'm reading towards the end of element 1(a).
4 That I believe has already been decided in the Priceline
5 case. That is not an active step. So the more relevant
6 element here we're talking about is the '849 patent which
7 has a selectively storing element.

8 So if we look at the '849 patent, and we look at
9 claim 1, element 1(c) is selectively storing. So that is
10 the claim element which we have substantial evidence for in
11 the record. So to be clear, IBM's primary argument is that
12 Groupon directly infringes by performing the storing step or
13 dictating the performance of the storing step under SiRF.

14 But as a backup, in eventuality that Groupon
15 argues it is the users that do that, then our argument is
16 that there is direction and control of the users performance
17 of the selectively storing step here.

18 THE COURT: And so I really didn't get from
19 the letter last night what the evidence is from which a
20 reasonable juror could conclude that they could map element
21 1(c) of the '849 patent to the evidence and conclude, hey,
22 Groupon doesn't do this but the enduser does selectively
23 store advertising objects at a store established at the
24 reception system. So help me see where that is.

25 MR. OUSSAYEF: Okay. So, Your Honor, the

1 evidence is the following:

2 First, there is evidence that the -- so the
3 direction or control step has been construed or has been
4 interpreted by Akamai and then Travel Sentry as to a
5 question as to whether Groupon conditions a benefit upon
6 performance of the step, on whether Groupon sets the manner
7 and timing of that step.

8 So first let's break down those steps.

9 First is the benefit. Do the users benefit
10 from caching? Yes, the users do benefit from caching.
11 Dr. Schmidt testified the users benefit from caching because
12 when the user has caching enabled, in that situation, the
13 user does not have to go to the network to get the content,
14 so they get it more quickly. That is the benefit.

15 What is the condition here? The condition
16 here -- and I'm looking at the middle paragraph here on page
17 2 of the memo, in bold here: Groupon conditions the receipt
18 on that benefit on the user having caching enabled.

19 So if the user has caching enabled, then the
20 cache control directives make caching actually happen. So
21 to the extent that is interpreted as the user doing the
22 storing step as opposed to Groupon setting the storage
23 parameter and controlling the storing step, then in that
24 scenario, the users -- Groupon conditions the benefit of
25 caching on users actually having caching enabled.

1 So that is kind of the first prong of Akamai,
2 that Groupon conditions the benefit of caching, the faster
3 speed, on the users performing the storing step under
4 Groupon's interpretation. That, you know, when the cache
5 control directives are sent down and the user has caching
6 enabled, that is when caching occurs and the user gets a
7 benefit.

8 So that's the conditioning of benefit.

9 So next the question is does Groupon control the
10 manner and timing of that caching and the answer there is
11 there is substantial evidence here as well. And that is the
12 next paragraph in this memo here. And the evidence here
13 which we show is that there is evidence of the manner
14 because the particular images that gets sent down to the
15 user's computer with the cache control directives that tell
16 the user's computer to cache are decided by Groupon. So for
17 every image there is a cache control directive associated
18 with that image that says cache this, store this.

19 And Groupon controlled the timing of that
20 because -- and this is towards the bottom of this paragraph,
21 Dr. Schmidt explains that the cache control header describes
22 a specific directive, and also how long that advertising
23 object will be stored at the user's computer. So all the
24 parts of Akamai are met, there is a benefit, there is a
25 condition of that benefit on having caching enabled, there

1 is a control over the manner and the timing in which that
2 storing step happens by Groupon.

3 And furthermore, I think it's important that
4 Travel Sentry, which is a recent case from the Federal
5 Circuit in 2017, concerns a situation in which the Federal
6 Circuit says we need to take a broad view over what the
7 condition is, what the benefit is and what the activity in
8 question, i.e., here caching is, in order to ensure we're
9 really giving meaning to the direction and control test.

10 THE COURT: If the benefit is simply that the
11 service works slightly faster, isn't that too broad of a
12 view?

13 MR. OUSSAYEF: Not at all, Your Honor. In fact,
14 in the Travel Sentry case which involved locks on luggage
15 and the fact that the TSA, the Travel Security Agency, got a
16 benefit from using a lock which they didn't have to break
17 the lock, they could just open it with this invention, the
18 benefit there was that the TSA would have a better
19 reputation in the world which is pretty ephemeral, but still
20 the Federal Circuit found that idea of the benefit was
21 sufficient.

22 Here I would say the benefit is huge here. We
23 have testimony from Aileen Sandridge, their witness that we
24 played by deposition who testified that reducing latency
25 improves the experience for users.

1 And furthermore, we have evidence from documents
2 in Groupon saying, and Your Honor might remember this, that
3 when the users don't see a fast experience, the whole brand
4 is tarnished because they're waiting there to try to make it
5 load and they're like this website is not a good website.

6 Furthermore --

7 THE COURT: It is true, however, that
8 Dr. Schmidt did not opine even as an alternative if you
9 think that Groupon doesn't selectively store, you should
10 find my further opinion is that the user does it, that's
11 correct, isn't it?

12 MR. OUSSAYEF: He did not explicitly say that
13 infringement is an alternative to the user. But by the same
14 token, the evidence here supports the fact that users could
15 be found to be under the direction of control of Groupon.

16 I would further submit, Your Honor, this is
17 similar to the license issue. The license issue, we have no
18 evidence, expert testimony at all on the entire issue of any
19 claims in this case. And yet Groupon argued yesterday that
20 that should still go to the jury based on, you know, two
21 minute cross-examination of one of our witnesses. Here we
22 have plenty of expert testimony. And even though he might
23 not have said the explicit words of attributed infringement,
24 I would say saying those magic words in front of the jury is
25 not the question, the question is whether the evidence

1 supports the law.

2 THE COURT: Thank you.

3 Ms. Shamilov.

4 MS. SHAMILOV: Your Honor, there are two issues
5 here. One is the last question that you just asked which
6 counsel didn't really answer is where did the expert or
7 anyone at trial here say Groupon could have done the
8 selective storing, but if it doesn't users do it in this
9 way. There is nothing on that front.

10 And second issue is the law, the way that
11 counsel just told you what the law says, that's just wrong.
12 The benefit here is the Travel Sentry case that they're
13 relying on, there has to be evidence that a third party
14 hoping to obtain access to certain benefits can only do so
15 if it performs certain steps identified by the defendant,
16 and does so under the terms prescribed by the defendant.

17 So it is not enough to say if you use this
18 system, you get some benefit of it. To me the joint
19 infringement standard under Akamai, what has to happen and
20 what they have to show is that Groupon tells its users, you
21 can use my system, but you can only use my system if you
22 enable caching, if you selectively store, right. And the
23 Travel Sentry case goes even further and just says the mere
24 guidance or instruction is insufficient to show conditioning
25 under Akamai, the conditioning of the benefit. So we don't

1 even have here an instruction or a guidance that Groupon
2 does. There is no evidence here that was put forth in front
3 of the jury that says Groupon tells customers you can only
4 use the system. It has to be an agency or relationship for
5 all of this to work. It is not enough that the system has
6 some benefits of to it.

7 THE COURT: Are you saying the only benefit can
8 be you can use Groupon or you can't use Groupon?

9 MS. SHAMILOV: No, what I'm saying it has to be
10 a condition that Groupon tells its customers that to get the
11 benefit, whatever benefit you get from using my system, you
12 will only get this benefit if you perform this specific step
13 of the claim element.

14 THE COURT: Can being able to use Groupon more
15 quickly, can that potentially be the type of benefit that
16 would satisfy the test?

17 MS. SHAMILOV: No, the benefit on its own is not
18 enough.

19 THE COURT: I understand that. But just looking
20 for a moment at the benefit part, could faster access
21 potentially be a satisfactory benefit?

22 MS. SHAMILOV: In the hypothetical if there is a
23 situation where the user said, the system provider says if
24 you do this particular step, my system will run faster for
25 you, so to get faster performance, you have to do this

1 particular step and if you don't, you will not get the
2 benefit of faster performance. Sure, in that situation I
3 think that will work. But that's not the situation here.

4 THE COURT: Right. So which part of that is
5 missing here?

6 MS. SHAMILOV: What's missing here is we have no
7 evidence whatsoever, or even suggestion that Groupon tells
8 its customers to enable caching, for example, taking the
9 specific factual example that they say is really the only
10 thing at issue. They say the selectively storing is
11 performed by having data and images stored in cache, the
12 cache, the cache is enabled, then Groupon system stores it
13 in cache. But what's missing here is there is nothing that
14 -- Groupon does not tell its customers enable caching.
15 There is nothing that -- Groupon does not set any condition
16 or any requirement for the customers to do anything to be
17 able to use Groupon system and then get whatever, faster
18 performance.

19 THE COURT: So are you saying there is evidence
20 from which the jury could find that if the user enables
21 caching, they will get the benefit of faster access to
22 Groupon, but there is no evidence that Groupon ever tells
23 the end users that?

24 MS. SHAMILOV: Correct. So what we're saying is
25 if the user enables caching, then the system will cache and

1 whatever benefits which really relates only to the damages
2 issue, you know, the system will run faster. But Groupon
3 does not direct. So if the user enables caching, their
4 argument and the only evidence they put forth is that
5 Groupon infringes, because Groupon stores stuff in that
6 cache.

7 There is no where in the evidence that says
8 third parties store anything in the cache. Their whole
9 theory of infringement and evidence before it was if the
10 user enables caching, it is Groupon that stores information
11 in the cache. And to meet the joint enterprise, there must
12 be that specific directive.

13 That word condition, they are also playing --
14 the word condition in all of these lines of cases means I am
15 conditioning your use of my system and your ability to
16 benefit from it under your performance of this particular
17 step and that step is the step of the claim.

18 It is not enough to say that in the system, it
19 said if something is enabled, if caching parameters are
20 enabled, then I'm going to perform this storing step. That
21 is not the condition language in the law.

22 The condition has to be I am conditioning your
23 performance, right, your ability to benefit from my system
24 on your specific performance of the claimed step. That is
25 what happened in Travel Sentry, that is what happened in

1 Akamai. In both of those situations there were contractual
2 obligations --

3 THE COURT: Does the end user have to be aware
4 that they're being directed and controlled to do that?

5 MS. SHAMILOV: There has to be an instruction,
6 yeah, there has to be an instruction that tells the user,
7 otherwise, the condition has to be you must perform X and if
8 you don't perform X, you will not get benefit Y. If they
9 are we're missing that particular directive, if we're
10 missing that particular instruction, then Groupon is not
11 directing and controlling the action. There still has to be
12 an agency relationship. The law did not change. Right?
13 You have to have an agency relationship between users and
14 Groupon. But even setting that aside, they cannot point to
15 anywhere in the record where anyone says that it's third
16 party, i.e., users that store, right, that selectively
17 store. That element is not there.

18 We provided an Exhibit A where for that
19 selectively storing where Dr. Schmidt said Groupon does
20 this, Groupon stores, Groupon performs this step. So we're
21 missing multiple things. We're missing one that users
22 actually selectively store. We're missing that Groupon
23 tells users you will only benefit, but you can only use my
24 system if you selectively store and if you don't selectively
25 store, you won't benefit. We're missing that chunk. And

1 we're missing anything from which the jury can determine
2 there was some agency relationship, which is required,
3 right, under Akamai and Travel Sentry.

4 And Travel Sentry did not change the law.
5 Travel Sentry really just applies Akamai and this common law
6 attribution language that they're adding from the copyright
7 law, that is not what Travel Sentry did. The law is what
8 Akamai said, Travel Sentry applies it. Travel Sentry
9 consistently said, even the mere guidance or instruction to
10 do so is not enough.

11 We don't have any evidence of any guidance or
12 any instruction. There is no evidence that Groupon said
13 anything to its customers about Web browsers caching being
14 enabled or disabled.

15 THE COURT: Okay. Thank you.

16 MR. OUSSAYEF: Your Honor, it is simply untrue
17 that there needs to be an agency relationship here. This is
18 the Akamai case here. It says to determine if a single
19 entity directs or controls the acts of another, we consider
20 general principles of vicarious liability. In the past we
21 have held that an actor is liable for infringement if it
22 acts through an agent or contracts with another. We
23 conclude that on the facts of this case, liability under
24 271(a) can also be found when an alleged infringer
25 conditions participation or activity or received a benefit

1 upon performance of step or steps of a patented method and
2 establishes the manner or timing of that performance.

3 This is an alternative test attributable
4 infringement, not just joint contractual agency
5 relationships, but also receiving a benefit. The other
6 thing that's important to realize in this Akamai test here
7 is that it's performance of step or steps of a patented
8 method. So contrary to what counsel of Groupon is arguing,
9 it's not whether users can use Groupon service or not by
10 having caching enabled, it's whether performance of a step
11 or steps of a patented method, i.e., storing is performed.
12 That is the key thing to look to.

13 Next on the issue of whether there is actually
14 an instruction to do it or a directive, the language
15 Groupon's counsel used is there is no directive here. But
16 Dr. Schmidt explained and I quote, the cache control header
17 describes the specific directive to cache. That's as clear
18 as it gets.

19 And finally, on the issue --

20 THE COURT: Well, there is no awareness by the
21 user that they're being directed, is there? There is no
22 evidence of that.

23 MR. OUSSAYEF: Nor is there a requirement under
24 the law that there needs to be an awareness of the
25 directive. In the instance -- so caching is enabled by

1 default. And in the instance where the user goes in and
2 decides to disable caching, they would have to be aware of
3 what caching does. That's the only way you would know
4 what's going on.

5 Furthermore, on the point that well the user
6 does not -- there is no evidence that the user actually does
7 it, actually there is evidence on the transcript, this is
8 Dr. Weissman, where he discusses that images would be cached
9 if a user enables caching. That's Dr. Weissman saying I
10 don't think Groupon does the storing step, I think the users
11 do it instead, which is exactly what we're talking about.

12 And furthermore, Groupon's own counsel argued
13 whatever cache control headers Groupon sets will only be
14 effective if the user is caching. The user decides that.

15 So in the situation in which the user is the one
16 performing the storing step, under Akamai's direction or
17 control test, not the joint liability, the contractual one,
18 but under the test which talks about conditioning a benefit
19 on performance of a step, it is clearly met by the evidence
20 right now.

21 THE COURT: What is the evidence that Groupon is
22 instructing an end user with respect to cache, is it all
23 just -- I guess your argument is it's all just happening in
24 the code, Groupon isn't consciously doing it other than they
25 put it in the code. The user isn't consciously aware that

1 they're being directly controlled, but their computer is
2 being directed and controlled and that's enough.

3 MR. OUSSAYEF: Well, certainly, Groupon is aware
4 of this. And there is testimony at this trial that Groupon
5 explicitly sets the cache control parameter that is sent
6 down to the user.

7 Furthermore, if we think about the way the
8 browser is configured, by default, caching is enabled, and
9 the only situation which is disabled is when the user
10 explicitly goes into the setting and decides to disable it.
11 So it doesn't seem to make sense that the user would not be
12 aware of what caching directions are doing if they decide to
13 fiddle with the settings themselves and turn it off. In
14 that situation, they're clearly aware, too.

15 So everyone is aware of what is going on but,
16 furthermore, there is no requirement in the case law that
17 there needs to be a separate instruction separate from the
18 cache control parameters, some kind of discussion between
19 the parties about this kind of behavior.

20 THE COURT: All right. Well, we'll hear from
21 Groupon one more time.

22 MS. SHAMILOV: So the issue is not whether there
23 is something in Groupon's code that sets control parameters
24 to store information and caching. The issue here is does
25 Groupon tell its users enable caching? You must enable

1 caching in your web browser. Because if you do not do that,
2 I won't be able to cache; right? It is not the issue of
3 store; right? They has to be an instruction from Groupon to
4 users to do something, enable caching. So counsel gets up
5 and says, well, you cannot -- you know, if enabled by
6 default and all that. That is their argument that Groupon
7 does it, right? That is the direct infringement. There has
8 to be something.

9 The issue here is, is there evidence where
10 Groupon requires its customers or users to enable caching to
11 be able to use the system.

12 And I never thought there has to be contractual
13 relationship. There doesn't have to be contractual
14 relationship. The law is clear, Akamai, Travel Sentry, you
15 don't have to have a contract, but you have to have an
16 instruction requiring another party to say you have to do X,
17 which is what the claim requires, and if you don't do X, you
18 will not benefit from using my system. There is no evidence
19 on that front at all.

20 THE COURT: Well, why isn't it the cache control
21 parameters that Groupon puts in its source code?

22 MS. SHAMILOV: So the cache control parameters
23 only work when the caching is -- when the system caches. So
24 that just happens by Groupon's code. That is direct
25 infringement argument. There is no joint infringement

1 there; right? They just say if the control parameters are
2 set, stuff gets cached. That is how it works.

3 THE COURT: Why couldn't a reasonable juror view
4 that as this is Groupon directing and controlling endusers
5 that if they want benefit of faster access to Groupon, they
6 at a minimum better not turn off caching.

7 MS. SHAMILOV: But the cache control parameters
8 has nothing to do with whether caching is enabled and
9 disabled. The setting of the cache control parameters that
10 we talked about at trial is not directing whether the users
11 for caching is enabled or disabled. That is not what
12 caching control parameters do. The caching control
13 parameters simply say store this image in X and store it for
14 this length of time. It doesn't require caching to be
15 enabled or not. So the user disables caching, those
16 accurately parameters will still be there. It's just
17 nothing will happen.

18 So what needs to happen, so the control
19 parameters do not require caching to be enabled for anything
20 to be cached, right? So the user, for that, if Groupon
21 wanted to make sure everything is cached, it would have to
22 tell the customers you cannot visit our website. If you
23 want to, you know, perform well, you must enable caching.
24 That is the instruction. There has to be an explicit
25 instruction, and that is what the case law requires.

1 Telling another party to do something, right?, specifically
2 do something.

3 There is nothing that you -- Groupon does not
4 require its users to do anything. It just says, right? It
5 just has a system out there, users can go visit it, users
6 can disable caching, users can do whatever. They can
7 disable cookies, right? There is no -- Groupon does not
8 require endusers to do anything at all to be able to visit
9 the website and use it.

10 THE COURT: Okay. Thank you.

11 If you are going to be brief, I'll give you one
12 last time.

13 MR. OUSSAYEF: Just briefly, Your Honor.

14 I think that last statement by Groupon's counsel
15 shows the issue here. The test is not whether Groupon
16 prevents users from accessing its website based on the cache
17 control parameters. The test is whether the performance of
18 that step is what is being conditioned to get that benefit,
19 and the cache control directives show that. They're called
20 directives, so they direct and control the users actions and
21 it meets the Akamai test four square.

22 THE COURT: All right. Thank you. I know that
23 the jury is all here, so I can figure out how we're going to
24 proceed today. Let's talk about where we think we are.

25 We are on cross; correct?

1 MR. HADDEN: Yes, we have a little more cross of
2 Dr. Schmidt.

3 THE COURT: And then we are still expecting to
4 bring back the damages expert.

5 MR. DESMARAIS: Yes. Very briefly. Very
6 briefly.

7 THE COURT: Have you decided yet if you will
8 have anyone else?

9 MR. DESMARAIS: We're not going to call anyone
10 else.

11 THE COURT: Are you going to call anyone?

12 MR. HADDEN: We're going to call Dr. Weissman,
13 very briefly.

14 THE COURT: And I'm sure you have seen the
15 updated time. We're at the moment holding an hour in the
16 bank --

17 MR. DESMARAIS: Yes.

18 THE COURT: -- for plaintiffs, which would mean
19 we're going to, we would plan to cut you off at 52 minutes,
20 as best we can tell.

21 MR. DESMARAIS: We're going to come in under
22 that, Your Honor.

23 THE COURT: You're going to come in under that.

24 MR. DESMARAIS: Yes.

25 THE COURT: All right. You are not asking to

1 make a withdrawal from the bank.

2 MR. DESMARAIS: I'm definitely not taking a
3 withdrawal from the bank. What I'm hoping to do is add
4 15 minutes.

5 THE COURT: All right. And I'm guessing --

6 MR. HADDEN: My bank is full.

7 THE COURT: You are going to be fine, I'm sure.

8 I think what is going to happen is we will have
9 at least many of the jury instructions, if not all of them,
10 for you some time this morning so that ideally you can have
11 some member of your team reviewing them particularly for
12 typos and if there is anything new that you see in there
13 that is objectionable so we can take that up at a break
14 before we print them, but I'm still hopeful of starting to
15 read them to the jury some time today, but I am only
16 available until 1:00.

17 So we will be in recess.

18 (Brief recess taken.)

19 * * *

20 (Proceedings reconvened after recess.)

21 THE COURT: All right. So I was going to tell
22 you about the jury instructions for a couple of minutes.
23 Then we'll just need time for this. And we're making copies
24 of. Momentarily, we'll have two copies for each side so
25 that you can hopefully look at them. And, again, I'll give

1 you a chance to tell me if there are any new objections or
2 any typos before I start reading them to the jury hopefully
3 later today.

4 Hopefully, non-controversially, we added the
5 30(b)(6) witnesses you hopefully agreed on. We changed
6 references from direct infringement to just be infringement.

7 In terms of willfulness, we've gone with the
8 modification of Groupon's proposal from yesterday. We've
9 deleted "and" and replaced it with "that is." So we will be
10 telling the jury, we will be mentioning "reckless," and then
11 we will say "that is Groupon knew or should have known that
12 its conduct amounted to infringement of the patent." I
13 think that is a correct statement of where the law is and is
14 not confusing to the jury.

15 With respect to attributed infringement, I want
16 to at least say I think this is a difficult question. It's
17 a tough call. We've gotten several letters, lots of
18 argument over multiple days, and I have struggled with it,
19 but ultimately I've decided to go with something closer to
20 what IBM has proposed, meaning that there is going to be an
21 instruction on attributed infringement.

22 We're willing to let plaintiff make the argument
23 that, you know, an enduser may reasonably be found to have
24 performed the selectively storing step. If the jury finds
25 that Groupon did not perform it, it would have been, I think

1 it's fair to say, far far better for the jury and for me if
2 we actually had an expert way out and clearly mapped as an
3 alternative the performance of this technical claim step on
4 to an enduser. It's acknowledged by all that that did not
5 happen. That has made it difficult, but I still do think
6 that a reasonable juror, taking all the evidence in a light
7 most favorable to the plaintiff, even in a contingent
8 manner, applying the law as I understand it to be, and as
9 will be set out in the instruction, could find that the user
10 gets the benefit of faster access to Groupon and that that
11 access is conditioned on having caching enabled at the
12 user's device and that Groupon directs and controls that.

13 The way they get to that is tricky because
14 it's nothing that Groupon is saying, that is, Groupon as an
15 individual or as a -- no person is saying this to a person
16 at the user level. But a reasonable juror, again, taking
17 everything completely in the light most favorable to the
18 plaintiff, could say that Groupon's source code is talking
19 to the enduser's device and directing and controlling that
20 if you want this benefit of faster access, you have to
21 enable caching.

22 Again, it's a highly technical theory. No
23 expert has talked about it in front of the jury. But under
24 the law, and under the standard that I think I should be
25 applying, I am going to instruct the jury on this.

1 So are there any questions about any of that
2 before we bring the jury in?

3 MR. DESMARAIS: No, Your Honor.

4 THE COURT: Any questions?

5 MR. HADDEN: No, Your Honor.

6 THE COURT: All right. We'll bring the jury in.
7 And while we're doing that, we can pass out to each side two
8 copies of the instructions.

9 (Jury returned.)

10 THE COURT: Good morning, ladies and gentlemen
11 of the jury. Welcome back.

12 Good morning, Dr. Schmidt.

13 THE WITNESS: Good morning, sir.

14 THE COURT: You, of course, are still under
15 oath.

16 THE WITNESS: Yes.

17 ... DR. DOUGLAS CRAIG SCHMIDT, previously sworn
18 under oath, was examined and testified further as follows ...

19 THE COURT: Ladies and gentlemen, I know we're
20 starting late, but we are on the schedule that I had
21 outlined yesterday. And we are going to finish the evidence
22 some time this morning, and I probably will be able to begin
23 at least reading the instructions to you. But in any event,
24 you will be done by 1:00 today.

25 All right. Good morning, Mr. Hadden.

Schmidt - cross

1 MR. HADDEN: Good morning, Your Honor.

2 Good morning, Dr. Schmidt.

3 THE WITNESS: Good morning, Mr. Hadden.

4 CROSS-EXAMINATION (Continued)

5 BY MR. HADDEN:

6 Q. Yesterday, when you testified, you didn't dispute,
7 did you, that Sunada described runtime account creation?

8 A. That is correct.

9 Q. And what you disputed was that Sunada operated in a
10 federated computing environment; is that right?

11 A. That's correct.

12 Q. And you did that based on the fact that Sunada in the
13 patent application described the invention as a system; is
14 that correct?

15 A. That was one of the reasons. That's correct.

16 Q. And you highlighted the underlined system various
17 places in the abstract of Sunada and other places?

18 A. That's correct.

19 Q. And that's what's shown in the slide here?

20 A. Yes.

21 Q. Now, you don't dispute, do you, that the '346 patent,
22 Dr. Hinton's patent, described a federated computing
23 environment, do you?

24 A. That's correct.

25 Q. You don't dispute that?

Schmidt - cross

1 A. Dr. Hinton's patent discloses that, yes.

2 Q. And if we look at the first sentence of the
3 background of Dr. Hinton's patent, can you just read what is
4 highlighted there?

5 A. The present invention relates to an improved data
6 processing system.

7 Q. The fact that Sunada described its invention as a
8 system doesn't mean that it doesn't operate in a federated
9 computing environment, does it, Dr. Schmidt?

10 A. Yes, the way he describes his system does not talk
11 about federated computing environment, it gives examples of
12 a system that can run on a single server and he never
13 mentions trust or anything else about federated computing
14 environment.

15 Q. Let's look at what you pointed to indicate that it
16 runs on a single server. You have the highlighted language
17 in red, it says may be included in the same server?

18 A. That's right.

19 Q. You didn't highlight the language right before that,
20 did you? And what does that say, Dr. Schmidt?

21 A. The above mentioned example shows the Web
22 applications 2 and 3 and the SSO server 1 as separate
23 constitutions.

24 Q. Right. So right above what you highlighted, Sunada
25 actually says that the identity provider and the service

Schmidt - cross

1 provider could all be separate; right?

2 A. They say they could run on separate servers, that's
3 correct.

4 Q. In fact, that's what Sunada shows in figure 2, isn't
5 it? If we look at figure 2, this is the figure that's
6 Sunada is talking about in that language we just saw, it
7 shows an SSO server over here; right?

8 A. That's correct.

9 Q. And that's the same as the identity provider in this
10 system; right?

11 A. That's correct.

12 Q. And then it has a Web application 2 up here; right?

13 A. Yes.

14 Q. And that's the same as the service provider in this
15 system; right?

16 A. That's correct.

17 Q. And it's got another Web application down here,
18 number three, right, that's another service provider?

19 A. That's correct.

20 Q. And all those service providers can talk to the
21 single-sign-on server to perform single-sign-on operations;
22 right?

23 A. Yes, within a single system, that's correct.

24 Q. And the clients over here are the users of this
25 system who can benefit from that single sign on through

Schmidt - cross

1 these Web applications and the identity provider; right?

2 A. Through the Web applications and the SSO server,
3 that's correct.

4 Q. And doesn't Sunada explain as we see here, they are
5 communicable with many clients, many Web applications, and
6 many other servers and the like; right?

7 A. That's correct.

8 Q. So there --

9 A. In a single system.

10 Q. There can be a whole lot of these different Web
11 applications, right, different websites, they can all talk
12 to the single-sign-on server; right?

13 A. Yes, within a single system.

14 Q. And, in fact, Sunada explains this network in the
15 middle can be the internet; right?

16 A. That's correct.

17 Q. So what Sunada is describing is a whole bunch of
18 websites communicating over the Web to talk to an identity
19 provider and a bunch of users?

20 A. Correct, in a single system.

21 Q. That's not on a single computer, is it?

22 A. That's not a single computer, it's in a single system
23 as he describes.

24 Q. We talked a bit about Spinning the Web yesterday.

25 And as Dr. Weissman explains, this is a Web page template

Schmidt - cross

1 from the book Spinning the Web. Is that true, Dr. Schmidt?

2 A. That is correct.

3 Q. And each of the continuations in this template has
4 one of these hashmark, hashmark, hashmark symbols. Is that
5 true, Dr. Schmidt?

6 A. That's correct.

7 Q. In Spinning the Web, there is a program that replaces
8 each of these hashmark, hashmark, hashmark symbols with the
9 client ID for the user; isn't that right, Dr. Schmidt?

10 A. That's correct.

11 Q. In fact, the actual code which is included in that
12 book, this is a part of that code, the program called c.pl;
13 isn't that right?

14 A. That's correct.

15 Q. The code here we're showing in the slide is the
16 actual lines of code that does that, putting that state
17 information into each of those hyperlinks; isn't that right,
18 Dr. Schmidt?

19 A. That's correct.

20 Q. You talked with IBM's lawyer about '967, claim 1.
21 And you testified that these elements for generating at
22 least a first partition and the second partition that the
23 claim language doesn't say it's on the screen. Do you
24 remember that testimony?

25 A. I said the word screen doesn't appear in claims B and

Schmidt - cross

1 C.

2 Q. But screen clearly appears in the element A, doesn't
3 it? The screen display including a plurality of partitions;
4 isn't that correct?

5 A. The term screen display is unconstrued.

6 Q. I'm not talking about whether it's construed or not,
7 but it's describing that the partitions are partitions of
8 the screen display; right?

9 A. It says that the screen display includes a plurality
10 of partitions.

11 Q. And the partitions that are being called out in B and
12 C are some of those plurality of partitions of the screen
13 display; right?

14 A. Elements B and C talk about generating a first area
15 or first partition for presenting applications in a screen
16 of display, that's correct.

17 Q. It doesn't say in a screen of display, it says the
18 screen display including a plurality of partitions; right?
19 Plurality means more than one; right?

20 A. Plurality means more than one.

21 Q. So you have to have more than one partition on your
22 screen display according to element A; right?

23 A. No, it's simply saying that the screen of display,
24 the screen display, those terms are not construed so they
25 mean essentially the same thing, that you have to be able to

Schmidt - cross

1 have a first partition that's generated --

2 Q. You're not answering my question. I'm not asking
3 about B or C, I'm asking about the very clear language that
4 says the screen display including a plurality of partitions.
5 Do you see that language?

6 A. I do.

7 Q. We just agreed that plurality means more than one;
8 right?

9 A. There are first area and second area.

10 Q. That's not my question. You agree that plurality
11 means more than one?

12 A. I do.

13 Q. It says here the screen display including more than
14 one partition, isn't that what it says?

15 A. It says the screen display including a plurality of
16 partitions, that's what that says.

17 Q. Right. And of that plurality, that more than one
18 partition, it has to also include a first partition and a
19 second partition; right?

20 A. That's not what the claim elements B and C are
21 saying.

22 Q. So you're telling me that the first partition in
23 claim B is not one of the plurality of partitions in the
24 screen display in claim A, is that your testimony?

25 A. I'm telling you the first partition, the first area

Schmidt - cross

1 is generated on a screen display, I agree with that.

2 Q. Very simple question. We have a screen display
3 including a plurality of partitions. Then we call out a
4 first partition, step B. Isn't it true, Dr. Schmidt, that
5 the first partition is one of those screen display
6 partitions that's described in step A?

7 A. No. The claims say what the claims say. They're
8 construed in a certain way. I have been consistent in my
9 analysis of how the claims map to what Groupon said in their
10 testing.

11 Q. It's your testimony that a first partition is not one
12 of the screen display partitions described in step A?

13 A. The first partition appears in the a screen display.

14 Q. And it's one of the plurality of screen display
15 partitions described in step A, isn't it?

16 A. So in B and C, we see that there are two areas, two
17 partitions construed as this area by the Court, so there are
18 two areas, and the code is able to generate the first
19 partition or first area for presenting applications, and a
20 second partition or second area for presenting a plurality
21 of command functions.

22 Q. And both of those partitions are among the screen
23 display partitions described in step A?

24 A. It appears on a screen of display, that's correct.

25 Q. Thank you.

Schmidt - cross

1 Now, yesterday you put up this slide again from
2 your original testimony. Do you recall that?

3 A. I do.

4 Q. And what you're showing here on the right, that is
5 this Mustache template for the buy button that you have in
6 red on the left; isn't that right?

7 A. That's correct.

8 Q. And in your testimony last week, you relied on this
9 Mustache template as being the output from the layout
10 service. Do you recall that?

11 A. That's correct.

12 Q. And that you point to as the output on the requested
13 service that then gets its continuations identified and
14 modified; right?

15 A. What I'm showing there is the output from the layout
16 service, that's correct.

17 Q. And you were here when Mr. Dunham testified that, in
18 fact, this Mustache template was a buy button was not the
19 output from the layout service, do you recall that
20 testimony?

21 A. I do recall that.

22 Q. In fact, Mr. Dunham testified that in fact that
23 particular Mustache template that is used to create that buy
24 button is part of the source code in the deal page ID
25 application. Do you recall that testimony?

Schmidt - cross

1 A. I heard him say that, but that was inconsistent with
2 the evidence I examined, the documentation and
3 Dr. Weissman's testimony.

4 Q. Well, let's follow-up on that. So it's your
5 testimony now that Mr. Weissman's understanding of his
6 source code is incorrect?

7 A. Mr. Weissman, I'm sorry?

8 Q. Mr. Dunham's understanding of Groupon's source code
9 is incorrect, that's your testimony?

10 A. It was my understanding at his deposition he was not
11 familiar with the source code.

12 Q. That wasn't my question. My question was, is it your
13 testimony that Mr. Dunham's testimony regarding Groupon's
14 source code is incorrect?

15 A. I heard him testify several different things.

16 Q. Let's focus on this specific issue. Mr. Dunham
17 testified that this particular template does not come from
18 the layout service, that it's part of the deal code source
19 code, deal page source code, do you recall that testimony?

20 A. I heard him say that.

21 Q. You have no reason to dispute that testimony, do you?

22 A. Sure.

23 Q. Okay. So let's look at the slide that Mr. Dunham
24 showed. And this shows more of the title of that source
25 code file that you didn't show; right? You just showed this

Schmidt - cross

1 part at the end that you have in yellow. You didn't blow
2 out for the jury the rest of the title, did you?

3 A. It's hard to see. It's there, but it's not expanded.

4 Q. So it's not readable by the jury, is it?

5 A. It would be hard to read that.

6 Q. So the jury couldn't see the rest of the title. But
7 if we look at what it actually says, it's file tab?

8 A. It does.

9 Q. The file tab says source code first highest level
10 tree is deal; right?

11 A. It says that.

12 Q. And Mr. Dunham testified that that means that this
13 source code comes out of the deal page application, didn't it?

14 A. I don't recall him saying that exact word.

15 Q. Well, he did. Do you have any reason to dispute that
16 this file path where it says deal indicates that this source
17 code is from the deal page application?

18 A. It may be part, it may be in that path, but it
19 doesn't mean that it's not served by the layout service.

20 Q. You know that IBM's counsel reviewed the source code,
21 Groupon's source code again last weekend, aren't you?

22 A. I believe I heard that.

23 Q. And you could have gone with them to check whether or
24 not Mr. Dunham's testimony was correct, couldn't you?

25 A. I could have.

Schmidt - redirect

1 Q. And you didn't, did you?

2 A. I did not.

3 Q. This isn't the only work that you're doing for IBM,
4 is it, Dr. Schmidt?

5 A. That's correct.

6 Q. So you worked for IBM on the Priceline case, didn't
7 you, Dr. Schmidt?

8 A. I did.

9 Q. And you're going to be working for IBM on the Expedia
10 case, too, aren't you, Dr. Schmidt?

11 A. I don't know. I haven't been retained.

12 MR. HADDEN: I have no further questions.

13 THE COURT: Redirect.

14 MR. OUSSAYEF: Just briefly, Your Honor.

15 REDIRECT EXAMINATION

16 BY MR. OUSSAYEF:

17 Q. Dr. Schmidt, do you remember the questions you were
18 asked about whether the Mustache template comes from the
19 layout service?

20 A. I do.

21 Q. Can you remind us -- I apologize for the lighting.
22 It's a little hard to read. But can you remind us what
23 Dr. Weissman said about your opinions on this issue?

24 A. So he said, and I quote, "Dr. Schmidt said that the I
25 Tier application, including the deal page, parsed templates

Hausman - direct

1 output from the layout service to populate the templates and
2 create HTML files for Web pages in Groupon's website." And
3 then he cites my report.

4 And his next statement is, "I agree."

5 MR. OUSSAYEF: I have no further questions.

6 THE COURT: You can step down, Dr. Schmidt.

7 Thank you.

8 THE WITNESS: Thank you.

9 THE COURT: Mr. Desmarais, what's next?

10 MR. DESMARAIS: Thank you, Your Honor. IBM
11 recalls its damages expert, Professor Hausman, to answer
12 Groupon's damages expert.

13 THE COURT: Okay. Good morning, Professor
14 Hausman. Welcome back.

15 THE WITNESS: Thank you.

16 THE COURT: Of course you remain under oath as
17 you know.

18 THE WITNESS: Sure.

19 ... DR. JERRY HAUSMAN, having been previously
20 duly sworn, was examined and testified further as follows ...

21 THE COURT: Ms. Stempler.

22 MS. STEMLER: May I proceed?

23 THE COURT: You may.

24 DIRECT EXAMINATION

25 BY MS. STEMLER:

Hausman - direct

1 Q. Good morning, Professor Hausman. Welcome back.

2 A. Thank you.

3 Q. Mr. Malackowski, Groupon's damages expert, testified
4 here yesterday. Were you in the courtroom for that?

5 A. Yes.

6 Q. And he presented an analysis where he made some
7 adjustments to a handful of IBM's cross-licenses that he
8 selected. Does that method of using cross-licenses that IBM
9 entered into with other companies make sense as a way to
10 determine a reasonable royalty here?

11 A. No.

12 Q. Can you explain why not?

13 A. There was a discussion when he testified on direct
14 and on cross that he's looking for comparables. Remember we
15 had this whole thing about houses. You get a house and one
16 has an extra bedroom or whatever. You need to do something
17 similar here for licenses. I believe that there are two
18 reasons that his group are not comparable. The first time I
19 testified last week, I'm not going to go into detail again,
20 is that you have to look at the cross-licenses. For
21 instance, IBM needs to have cross-licenses with Amazon as
22 Mr. McBride testified to be able to offer cloud service and
23 artificial intelligence. IBM has invested hundreds of
24 millions and billions of dollars. And the companies that
25 Mr. Malackowski was looking at don't have patents like that.

Hausman - direct

1 They're not like Amazon, biggest on the cloud. So I went
2 through that, and I won't do that again.

3 But what I would like to point out is his
4 comparable companies have very different services and depend
5 on IBM's patents in a much different way than Groupon. So
6 pretty much Groupon, the only way you could use Groupon is
7 to either with your PC, iPad or smart phone, iPhone or
8 Android, like the Samsung phone.

9 Let's turn to his first company. It was
10 Comcast. So for better or worse, I am a Comcast subscriber,
11 and I presume that some of you on the jury are as well. So
12 what does Comcast sell? Comcast sells cable TV. It sells
13 internet. And it sells telephone service. So it's not
14 selling pizzas, it's not selling batteries, but that is only
15 part of it of.

16 If you're a Comcast subscriber, I'm assuming
17 that some of the jury are, when you sign up for Comcast, you
18 typically do not do it over the internet. You do not use
19 the IBM patents. You call up because representatives you
20 talk to wants to know what speed do you want for the
21 internet. But more importantly, do you want HBO, do you
22 want, you know, this package, do you want that package, do
23 you want the sports package, and in principle you could do
24 it all over the internet, but by far the large majority of
25 people who sign up for Comcast do so over the phone.

Hausman - direct

1 Q. So, Professor Hausman, just to clarify, can you
2 explain what you are saying about the comparability of the
3 Comcast license?

4 A. Sure. So Comcast, it does have a website, I agree.
5 And a very small proportion of people use it, but most
6 don't. Just, I was going to finish. When your Internet
7 stops working, which mine does periodically and often, I do
8 not get on Comcast website and try to get it fixed. I call
9 up Comcast and say, okay, you know, your Internet is down,
10 would you please fix it. Okay? I can't watch Netflix when
11 the Internet goes down or I can't do my academic research at
12 home. And so Comcast uses, makes much more use of the
13 phone, and so although it uses the IBM patents probably,
14 they're much less important.

15 To Groupon, they're crucial because everybody
16 issues those patents or did before they expired. So in my
17 view, you can't compare Comcast with the patents that are
18 less important and say I want to use the price that Comcast
19 pays as an indicator for the price that Groupon should pay.
20 And if you looked at those, they're approximately ten
21 companies Mr. Malackowski used, that was pretty of true for
22 all of this as was pointed out on cross-examination.

23 Maxim, people aren't buying stuff off the
24 Internet for them. They're a service provider, and so on.

25 Infosys, they're a service provider which is

Hausman - direct

1 located in India.

2 And so the comparables aren't comparable in my
3 view.

4 Q. Okay. And now regarding the other reason that you
5 mentioned, Mr. Malackowski told us that he made some
6 adjustments for the discounts that were provided to some of
7 the licensees. Did he adjust for all of the discounts that
8 IBM gives to its licensees?

9 A. No.

10 Q. What were the most significant discounts that he
11 ignored?

12 A. The biggest one which he completely ignores is
13 litigation discount. So he takes a look at those licenses,
14 which he agreed, which is a fact, that they were all
15 voluntarily entered into and says, well, I'm going to assume
16 that in litigation, Groupon is going to get the same deal.
17 But there is a huge risk in litigation. I mean you, the
18 jury, could decide some of those patents aren't good. I
19 mean it's your decision. And IBM is taking that risk.

20 Q. So, Professor Hausman, just to clarify, did the
21 licensees that Mr. Malackowski was using as comparability,
22 did they receive those discounts?

23 A. Yes, they all did.

24 Q. And will Groupon receive that discount at the
25 hypothetical negotiation?

Hausman - direct

1 A. No. Because under the hypothetical negotiation, as
2 he and I agreed, the assumption is that the patents are
3 valid and infringed, so there is no risk.

4 So I would just like to give the jury a brief
5 example of this. If I'm an advisor for a company that is
6 developing a new delivery treatment for diabetes type II,
7 which, you know, is a horrible disease and very expensive.
8 So a company is worth, let's say, about \$50 million, but
9 nobody knows whether they're going to get government
10 approval. There is this huge risk. But if we get
11 government approval from the Food and Drug Administration,
12 then the company is going to be worth over \$1 billion, that
13 so many people have diabetes type II. So once the
14 government approves it, the risk has been removed.

15 Similarly here, in the hypothetical negotiation,
16 there is no risk. The patents are assumed to be valid and
17 infringed. There is no risk about the patents whatsoever.
18 So a risk can be very important in economics and carry a
19 very large price tag, as in my example.

20 Q. Okay. Great. So I want to move on because we don't
21 have much time. Let's move on to Mr. Malackowski's
22 statements about your method.

23 The first one is he states that you overstate
24 Groupon's revenue. Is that true?

25 A. No. As I testified, I allocate the revenue and, yes,

Hausman - direct

1 here is one of my demonstratives last week.

2 So I start off with \$4 billion of accused
3 revenue but I make two adjustments. And when I am done
4 adjusting the revenue, it is only 12 piles big, it's about
5 \$500 million, so it goes down by 88 percent.

6 Q. Okay. So let's just look at this for one minute.
7 This is slide 56 from PDX-6. Is this \$4.2 billion the
8 revenue Groupon earned from the accused website from
9 March 2010 through August 2015?

10 A. Yes.

11 Q. And is it your opinion that IBM should get a
12 percentage of this revenue?

13 A. No, it should only get a percentage of revenue
14 associated with the use of the patent.

15 Q. Okay. So that is slide 59 that is up there from
16 PDX-6. Here, can you just remind us of how you got to the
17 revenue associated with the '967 patent that you see here?

18 A. Yes. Would you please straighten that for the jury?
19 That slide. I'm sorry.

20 So, yes, based on Dr. Schmidt's research,
21 59.2 percent is cached content. And then remember I did
22 21 percent returning visitors by using Groupon's data. And
23 so if you multiply those two together, you get about
24 12 percent.

25 So you start off with \$4 billion, but as you can

Hausman - direct

1 see, I only end up with \$517 million. We just went smaller.

2 Q. Did you do that for each of the patents?

3 A. Yes.

4 Q. So if we look at this slide from Mr. Malackowski's
5 presentation. This is slide 7. Were you actually -- when
6 you added up the revenues associated with each of the
7 patents, is that really \$33 billion?

8 A. No, he didn't take any of the allocation into
9 account. Actually, if I remember correctly, it was less
10 than \$11 billion. It is closer to \$3 billion, if I remember
11 right.

12 Q. So are you double counting revenue for profits?

13 A. No, I'm just looking at what the revenue is
14 associated with the patent, not the total revenue.

15 Q. Let's move on to the next point. He also said that
16 you inflate Groupon's profitability because you used
17 adjusted EBITDA. Were you making up the profits that you
18 used or were they actual Groupon earnings?

19 A. No, they're actually adjusted EBITDA. And he said
20 something that is very interesting. He agreed that Groupon
21 uses adjusted EBITDA for investors. If they use it for
22 investors, they better be telling the truth or the
23 Securities Exchange Commission, who is the government
24 agency, is going to get extremely upset. You are not
25 allowed to mislead investors in this country.

Hausman - direct

1 Q. So is adjusted EBITDA that you used the same adjusted
2 EBITDA that Groupon reports every quarter to its investors,
3 its internal management, and the SEC?

4 A. Yes, and puts on its website each quarter.

5 Q. So are you inflating any profits?

6 A. No, I'm just using what Groupon's management is
7 doing.

8 Q. Okay. Let's move on to the next item that he
9 criticized. He talked about your use of apportionment and
10 he gave that example of the hatchback car. Do you remember
11 that?

12 A. Yes.

13 Q. And he said that you were basing your royalty on the
14 entire car. This is slide 59 again from your presentation
15 last week.

16 Are you taking the royalty for the whole car?

17 A. No. Again, I'm starting off with the revenue,
18 reducing it by 88 percent. So I'm probably down to a hubcap
19 on his hatchback.

20 Q. Is this a way for you to determine the specific
21 revenue for patent and ensure your royalty would only
22 account for the revenues associated with each patent?

23 A. Yes, that is what apportionment does.

24 Q. So is there actually a hatchback problem here?

25 A. Well, I don't know that much about hatchbacks, but I

Hausman - direct

1 certainly valued correctly each patent.

2 Q. Okay. So let's go to the last criticism.

3 You recall that he complained that you were not
4 listening to the market; right?

5 A. Yes.

6 Q. And that concerned his point that he thought you
7 should have used the IBM cross-licenses as a starting point
8 like he did to determine a reasonable royalty; right?

9 A. Yes.

10 Q. Can you remind us why the IBM cross-licenses are not
11 the right benchmark for reasonable royalty here?

12 A. Yes, there are three reasons. The first you have to
13 value the cross-licenses.

14 Q. Okay.

15 A. The second is that litigation discount and, you know,
16 removing the risk of the hypothetical negotiation.

17 And the third is companies like Comcast and
18 Maxim are just not comparable to Groupon.

19 Q. And so given the differences between the
20 cross-licenses between IBM and other companies and the
21 hypothetical negotiation here between IBM and Groupon, using
22 what other companies paid IBM outside of litigation is
23 actually not the right measure, is it?

24 A. Yes. Using his hatchback analogy, I thought he
25 was -- his method is like comparing a hatchback to a Tesla

Hausman - cross

1 electric car. They're just not comparable.

2 Q. So to wrap up, Professor Hausman. Do you stand by
3 the original method that you used to calculate a reasonable
4 royalty in this case?

5 A. Yes.

6 Q. And does your reasonable royalty account for the
7 value that each patent brings to the accused Groupon
8 products?

9 A. Yes. But in the slides, you can see I do it
10 separately for each patent.

11 Q. Did any of Mr. Malackowski's criticisms change your
12 opinion?

13 A. No, I still have it at \$166,468,823.

14 MS. STEPLER: Thank you. I pass the witness.

15 THE COURT: Thank you. Cross-examination.

16 MS. SHAMILOV: Thank you, Your Honor.

17 CROSS-EXAMINATION

18 BY MS. SHAMILOV:

19 Q. In guess it's still morning. Good morning,
20 Dr. Hausman.

21 A. Good morning.

22 Q. I just have a few questions.

23 A. Sure.

24 Q. I don't know if the jury can see, but here is a phone
25 with a Comcast app on it. And you can actually watch movies

Hausman - cross

1 on your phones, Dr. Hausman. Did you know that?

2 A. Yes, I do.

3 Q. And Netflix, too.

4 And also you said, you said you wanted to
5 address the first agreement that Dr. Malackowski discussed
6 yesterday and you said that was Comcast. Did I hear
7 correctly?

8 A. Yes.

9 Q. But that was not the first agreement he discussed, is
10 it?

11 A. Well, I think there was a chart that was put up, and
12 if my memory is correct, Comcast was the first.

13 Q. Actually, the first agreement he discussed was
14 Priceline's agreement; isn't that true?

15 A. Well, I am talking about a chart that was put up
16 and Comcast was first on the chart. I do agree that he
17 discussed Priceline.

18 Q. So actually the first agreement -- the chart was at
19 the very end of his presentation; correct?

20 A. Yes.

21 Q. Yes. So the first agreement he started with was
22 Priceline?

23 A. Okay.

24 Q. Yes. Is that right?

25 A. Yes. I'm not disagreeing.

Hausman - cross

1 Q. Yes. And Priceline is a web company; right?

2 A. Yes.

3 Q. They have a website?

4 A. Yes.

5 Q. That is the only way you can use Priceline; right?

6 A. They can use a telephone but mainly on the web, yes.

7 Q. Okay. So there is no distinction between Priceline
8 and Groupon that you were trying to draw between Comcast and
9 Groupon; correct?

10 A. But there is an important distinction, and that is
11 that Priceline license was settlement of litigation. It's
12 different from Comcast, and it's different from Groupon.

13 Q. Well, that is a great point. Let's talk about that.

14 A. Sure.

15 Q. Were you here when Mr. McBride was in the courtroom?

16 A. Yes.

17 Q. Now, you heard his testimony?

18 A. Yes.

19 Q. You heard his testimony that -- and you agree with
20 me, right? -- that the Priceline was the settlement
21 agreement because IBM sued Priceline; correct?

22 A. Yes.

23 Q. And they settled about four weeks before trial;
24 correct?

25 A. Yes.

Hausman - cross

1 Q. Do you recall Mr. McBride saying that the settlement
2 agreement dollar figure was actually less than the original
3 offer IBM made to Priceline before it sued it?

4 A. Yes. That is not atypical.

5 Q. Okay. So the settlement, the value, the dollar
6 figure of that Priceline agreement is actually less than any
7 litigation discount; correct?

8 A. No.

9 Q. How come?

10 A. Because many things go into prelitigation offers.
11 You have to look at them. You know, it was going to be an
12 offer without litigation, without IBM having to spend
13 millions of dollars on the litigation. And so you'd have to
14 take all that into account.

15 Q. You have used the hypothetical negotiation construct
16 the same as Mr. Malackowski did; right? You both applied
17 the hypothetical negotiation construct in your analysis;
18 correct?

19 A. Yes.

20 Q. Right. And the hypothetical negotiation contract --

21 A. Construct.

22 Q. -- the way you do it is the law tells you how to do
23 it; right?

24 A. It guides you, I would say.

25 Q. Right. And you do it before, at the time first

Hausman - cross

1 infringement occurred or right before the infringement
2 occurred; correct?

3 A. Yes.

4 Q. You do it at the time as if no litigation took place
5 whatsoever.

6 A. Yes.

7 Q. Right?

8 A. But you could also foresee the future if you do it
9 early on. But the Book of Wisdom says you can foresee the
10 future.

11 Q. Of course. But if you are going to negotiate and
12 agree on an agreement in the hypothetical negotiation, there
13 will be no litigation in the future; correct?

14 A. That is true.

15 Q. Okay. So the law requires you to apply the analysis
16 in this case where you cannot take into consideration the
17 possibility of litigation; correct?

18 A. That's correct.

19 Q. Okay. So the litigation discount is irrelevant to
20 the hypothetical negotiation analysis that the law requires
21 you to apply?

22 A. No, that is incorrect. If you do it like Mr.
23 Malackowski did, and want to use comparable contracts, you
24 know, that come later than that. So there is a litigation
25 discount baked into those and you have to take that into

Hausman - cross

1 account. But I agree with you at the time of the
2 hypothetical negotiation, since patents are assumed to be
3 valid and infringed, you are not going to litigate.

4 Q. Okay. And then the adjustments that Dr. Malackowski
5 talked about and applied yesterday, those are the
6 adjustments that IBM itself uses; correct?

7 A. In part, yes.

8 Q. So all of them IBM uses; correct?

9 A. Yes, but he left out other ones.

10 Q. Let's talk about this adjusted EBITDA, a mouthful
11 that you were talking about. You used that measure as a
12 measure of profit; correct?

13 A. That is Groupon, yes.

14 Q. Do you remember this slide, Dr. Hausman, that you put
15 in your -- that you used to show that the adjusted EBITDA is
16 the right measure of profitability, and that is why you used
17 it? Do you remember that?

18 A. Yes.

19 Q. And did you prepare this slide?

20 A. Well, I told him I wanted to use his testimony. I'm
21 not going to prepare it. I mean he had a graphic
22 presentation and prepared some slides.

23 Q. But you looked at it and you approved it?

24 A. I think I added it to my report as well, yes.

25 Q. Those are not complete questions and answers, are

Hausman - cross

1 they?

2 A. No. I was just trying to, you know, basically
3 capture this notion of what he was talking about.

4 Q. So you cropped, phrased it from their own questions,
5 their own answers that is the pages of deposition testimony
6 of Mr. Schmidt to put this slide together?

7 A. Yes.

8 Q. And if you actually look at deposition testimony that
9 you decided to admit, it makes clear that Groupon reports
10 its gross profits separately from adjusted EBITDA numbers;
11 isn't that true?

12 A. I testified it reports both, but it emphasizes
13 certainly on this website and its report to the SEC and
14 investors adjusted EBITDA. But it does have to do both. I
15 mean the law requires it.

16 Q. But you excluded this in answering a portion of Mr.
17 Schmidt's answer in where he makes a distinction between
18 adjusted EBITDA and gross profit, didn't you?

19 A. Well, if you use gross profit, the profit margin is
20 46 percent rather than 10 percent. So if you want to use
21 that, I'll end up with even higher damages. Yes, I did
22 exclude it.

23 Q. So you --

24 A. Gross profit is even higher profit margin than
25 adjusted EBITDA.

Hausman - cross

1 Q. But you have excluded specific portions of his answer
2 that made a distinction between profit and EBITDA, didn't
3 you?

4 A. I didn't put his whole testimony. I agreed it would
5 have been pages.

6 Q. And you did that --

7 A. Excuse me. Pages and pages.

8 Q. And did you do that to convince the jury to accept your
9 inflated damages number, didn't you?

10 A. No. I'm saying if you go to his -- go to the website
11 and you look, they don't even mention operating profits,
12 which Mr. Malackowski thinks he should have used on their
13 website and their report to investors, their latest report
14 as I testified last week. The only thing they really talk
15 about is free cash flow, gross margin, and adjusted EBITDA.
16 Operating profits which Mr. Malackowski showed the jury
17 yesterday are not even mentioned.

18 MS. SHAMILOV: Thank you, Dr. Hausman. I have
19 no further questions.

20 THE COURT: Thank you.

21 Redirect.

22 MS. STEPLER: No further questions, Your Honor.

23 THE COURT: Okay. Thank you, Professor Hausman.
24 You may step down.

25 THE WITNESS: You're welcome.

Weissman - direct

1 THE COURT: Who is next?

2 MR. DESMARAIS: IBM rests its case, Your Honor.

3 THE COURT: Okay. Thank you.

4 Back to Groupon.

5 MR. HADDEN: Yes, Your Honor. Groupon recalls
6 Dr. Weissman.

7 THE COURT: Okay.

8 ... DR. JOHN WEISSMAN, having been duly sworn
9 was examined and testified further as follows ...

10 THE COURT: Good morning, Dr. Weissman.

11 THE WITNESS: Good morning.

12 THE COURT: Welcome back. You remain under
13 oath.

14 THE WITNESS: Yes.

15 ... DR. JOHN WEISSMAN, having been previously
16 sworn was examined and testified further as follows ...

17 THE COURT: Please proceed, Mr. Hadden, when
18 ready.

19 MR. HADDEN: Sure.

20 DIRECT EXAMINATION

21 BY MR. HADDEN:

22 Q. Good morning, Mr. Weissman.

23 A. Good morning.

24 Q. Just a few questions to follow-up with what

25 Dr. Schmidt testified yesterday. With Dr. Schmidt, IBM's

Weissman - direct

1 lawyer put up this diagram yesterday when they were talking
2 about the Mellmer reference which relates to the account
3 creation and the single-sign-on process. Do you recall
4 that?

5 A. Yes, I do.

6 Q. And Dr. Schmidt made two points about Mellmer. The
7 first was he said the Mellmer is about digital identity and
8 not single-sign-on. Do you recall that?

9 A. Yes, I do.

10 Q. Is that correct?

11 A. Digital identity is a cornerstone of single-sign-on.
12 In fact, if you looked at Liberty documents, Liberty ID, the
13 ID is in the title of the document. So identity is
14 cornerstone to single-sign-on because you are trying to
15 establish common identity so that you can log users into
16 different sites.

17 Q. Okay. And what was the name of the product that
18 Dr. Hinton talked about that IBM built to perform
19 single-sign-on?

20 A. It was the TFIM system.

21 Q. What does TFIM?

22 A. Titillated Federated Identity Management. So
23 identity is in TFIM as well.

24 Q. In fact, doesn't Mellmer describe a single-sign-on
25 process?

Weissman - direct

1 A. Yes, he does. Mellmer describes sort of two things:
2 a digital identity management and information management.

3 Q. Okay. And the other point that Dr. Schmidt made with
4 respect to Mellmer is he said it wasn't single-sign-on
5 because there were two different authentication processes,
6 two red boxes. Do you recall that?

7 A. Yes, I do.

8 Q. Now, is this box down here that the user picks a
9 meCard, is that an authentication process?

10 A. No, it's not. So this goes to the idea that Mellmer
11 has for the two parts to it. Principally, digital identity
12 management, this is the single-sign-on process. Mellmer
13 also has an additional small piece which is enabled personal
14 information or what we call profiles for business cards.
15 And those are called meCards.

16 So, for example, you might have a multiple
17 profiles as an individual. You have one identity but
18 multiple profiles. So you might have a profile for
19 professional life in everything you do. I might have one
20 for being a professor. I might have another one for being,
21 say, a consultant. I might have another one that expresses
22 my interest in the great outdoors.

23 And so what Mellmer describes is when you
24 establish an account and an account is created at a second,
25 at a second site, you have the possibility of associating to

Weissman - direct

1 that site one of your profiles. And that is called a
2 meCard. So if I were to print an account maybe at a bank,
3 I might look to have my professional profile. If I were
4 instead to create an account at LL Bean or some outdoor
5 place, I might want them to have my outdoor profile. So I
6 get a choice of what information I want them to see.

7 So what is being boxed in the second box to the
8 right is really the user, of all their profiles, picks the
9 one they want that service provider to have.

10 A. This is not an authentication option because
11 authentication actually by Court's construction is
12 validating credentials for user. Nothing is being
13 validated, the user, just says use this profile and that is
14 what the cite is going to use.

15 Q. And the other box in red where it says log in to
16 DigitalMe, is that like we saw with Mr. Breen where Facebook
17 or Google would provide a screen for the user to login
18 before the rest of the process goes through?

19 A. Yes. So the first box, login in DigitalMe, this is
20 logging into the identity provider. This is the only
21 authentication step that's happening.

22 Q. Thank you.

23 You recall IBM's counsel put up this slide
24 yesterday with Dr. Schmidt as well. And he suggested that
25 you were mixing and matching files in a way that would

Weissman - direct

1 suggest to be inappropriate. Can you -- did you mix and
2 match files?

3 A. No, I didn't mix and match files at all. So what I
4 had in front of me, and Mr. Davis testified similarly is we
5 had source code from 1995 and we had source code from 1996.
6 And I did a separate analysis of each of those sets of
7 source code. I didn't combine them in any way, I didn't try
8 to build a system and combine pieces of them. I did a
9 separate analysis. And what I determined is that germane to
10 the patents, the patent issue which is the management of
11 state using session ID, identifying embedding that and
12 identifying continuation, the way the state was managed and
13 processed in both the 1995 code and the 1996 code was
14 identical.

15 Additionally how that state was used, for
16 example, for things like the order flow, for how that state
17 was manifesting templates was also identical to two code
18 basis. And most importantly, what is common between the two
19 code basis is the code that processes the template files,
20 these are the things that get, the session ID embedded
21 within them to enable the conversation to continue, that
22 code, the so-called Cat Sub function which is really hard to
23 read, appeared in both '96 code and '95 code.

24 And the parameters that that code took as inputs
25 were the same in the 1995 and 1996 systems.

Weissman - cross

1 Q. And did your own analysis of the code confirm the
2 testimony we heard from Mr. Davis about how the Amazon.com
3 site operated in 1995?

4 A. Yes, it did. I did my own analysis. I have the full
5 source tree available to me, and it comported with what he
6 told me as a developer.

7 MR. HADDEN: Thank you. No further questions.

8 THE COURT: Cross-examination.

9 CROSS-EXAMINATION

10 BY MR. OUSSAYEF:

11 Q. Good morning, Dr. Weissman.

12 A. Good morning.

13 Q. Now, you are opining that someone would combine the
14 Liberty specification with Mellmer; is that right?

15 A. That's right.

16 Q. So you understand that Dr. Schmidt presented a series
17 of reasons why someone would not combine Mellmer with the
18 Liberty Alliance specification; right?

19 A. I was here for that testimony.

20 Q. And you didn't address any of those reasons on your
21 testimony here today, did you?

22 A. Today I didn't talk about the combination, yes.

23 Q. So you didn't talk about the fact that Liberty
24 Alliance teaches away from on-the-fly run count creation,
25 did you?

Weissman - cross

1 A. I disagree with that statement, but I didn't testify
2 to it today.

3 Q. And you understand that when you're relying on
4 obviousness, you need to consider secondary consideration of
5 nonobviousness?

6 A. That's part of it.

7 Q. You didn't testify to that today, did you?

8 A. I didn't testify today, but I don't agree with that.

9 Q. So, for example, you didn't testify about Dr. Schmidt
10 and his opinion that because Google, Facebook, Twitter and
11 LinkedIn, among many others signed a license with IBM, that
12 is an indication that they thought the patents were valid,
13 you didn't testify about that, did you?

14 A. I didn't testify. I disagreed with that conclusion.
15 I reached a different one.

16 Q. You didn't talk about any of the other secondary
17 considerations Dr. Schmidt testified about, did you?

18 A. I talked about them in the report. I didn't talk
19 about them today.

20 Q. You believe that Spinning the Web was publicly
21 available when it was published on February 23rd, 1996;
22 right?

23 A. That's when it was publicly available, though clearly
24 the ideas in the book were disclosed in 1995.

25 Q. And your opinions on Spinning the Web is based on

Weissman - cross

1 when it was publicly available; right?

2 A. My opinions are based on the content of the book
3 which describes what it does. And that was my analysis was
4 based on the content of the book, not based on anything
5 else.

6 Q. Let me try it one more time. Your opinion on
7 Spinning the Web is based on when Spinning the Web was
8 publicly available, not on dates before; right?

9 A. My opinion is based on the content of the book. My
10 analysis doesn't -- if you look at my mapping of the claims,
11 it looks at the content of the book.

12 Q. Can we play deposition testimony on 486:7 through 14.

13 "Question: Just to make sure we're all on the
14 same page, your opinions based on the Spinning the Web
15 reference, are opinions about public availability, right?
16 Saying the Spinning the Web reference invalidates the '601
17 patent because it was publicly available, right?

18 "Answer: Well, my understanding is, to qualify
19 as prior art, it must be publicly available."

20 Were are you asked that question and did you
21 give that answer?

22 A. Yes, I gave that answer.

23 Q. Okay. Now, you understand that Dr. Schmidt tested
24 this Spinning the Web code; right?

25 A. That's my recollection, yes.

Weissman - cross

1 Q. And you didn't test the Spinning the Web code, did
2 you?

3 A. I did not. I didn't need to. It's very simple web
4 code.

5 Q. It's so simple, if you look on here, it says Welcome
6 to the Nothing Store and there is nothing on the Web page;
7 right?

8 A. This is one of the, you know, error flows that you
9 can see if things are not set up right.

10 Q. But you wouldn't know that because you didn't test
11 Spinning the Web, would you?

12 A. I was looking at the code and I wasn't surprised to
13 see that from looking at the code.

14 Q. While we're on the subject, you never tested or tried
15 to run the Amazon source code from 1996, did you?

16 A. No, I didn't feel I needed to do that.

17 Q. And you never tried to run the Amazon code from the
18 1995 folder either, did you?

19 A. I didn't need to do that. These were deployed system
20 and Paul Davis testified these were not in operation.

21 Q. In fact, it would have been impossible to run the
22 Amazon code in the 1995 folder because there are files
23 missing?

24 A. I didn't try to do it, so I can't answer that.

25 Q. Now, you testified a little bit about this document

Weissman - cross

1 that Dr. Schmidt put together showing all the changes
2 between the 1995 files and the 1996 files; right?

3 A. What was the question?

4 Q. You testified about this document that Dr. Schmidt
5 prepared comparing the 1995 files with the 1996 files?

6 A. Earlier in this conversation, yes.

7 Q. And during that conversation, you didn't point out
8 any errors in this showing the differences between the
9 files; right?

10 A. I didn't point out any errors. My point simply was I
11 didn't mix and match, I did a separate analysis of '95 and
12 '96.

13 Q. So your testimony is that the 1995 code according to
14 you worked the same as the 1996 code; right?

15 A. That is my testimony, yes.

16 Q. And you're saying it managed state in the same way?

17 A. They do session IDs in the same way.

18 Q. According to you it embeds state information the same
19 way; right?

20 A. That is true, because the template processing code is
21 identical in 1995 and 1996.

22 Q. So according to you it worked all in the same way,
23 that's what you're telling us; right?

24 A. Substantially in the same way, and that was confirmed
25 with what I saw in the code and my conversations with Paul

Weissman - cross

1 Davis, the developer.

2 Q. Let's take a look at your expert report, because I
3 notice this when I was reading this last night. So here on
4 paragraph 22, you say, "I searched the HTML templates
5 available in the Web source directory," do you see that?

6 A. I do.

7 Q. That's the 1996 code you're talking about; right?

8 A. I believe so, right.

9 Q. Because there are no templates in the 1995 folder;
10 right?

11 A. The 1995 code used templates for the processing but
12 the actual templates are 1996.

13 Q. So what you're talking about here is the 1996 code;
14 right?

15 A. Well, these are templates, these are actually code,
16 these are just data files.

17 Q. You're talking about a 1996 template; right?

18 A. I'm talking about templates in 1996 that were also
19 used in 1995.

20 Q. And you say I found that every link back to the
21 Amazon.com Web server included the session ID placeholder.
22 That's important because that's what you rely on for the
23 recursively embedding step; right?

24 A. Yeah. To clarify what I'm saying there is every
25 hyperlink continuation contains a session ID.

Weissman - cross

1 Q. But then you say except for the following; right?

2 A. That's what it says.

3 Q. So let's see what you're referring to. Because then
4 you say well, except for the following links that didn't
5 include that session ID parameter, you said anchor links?

6 A. Anchor link is not a continuation. It does not refer
7 to a new request for a client server. It jumps into the
8 same document.

9 Q. You say a mailto link as well; right?

10 A. I said that, but it's not a continuation. That is
11 not necessarily a continuation.

12 Q. Down here you explained what you're just telling the
13 jury right now, as I explained, in your opinion, anchor and
14 mailto links are not continuations; right?

15 A. That's correct.

16 Q. You also mentioned links on help pages; right?

17 A. Those are mentioned, yes.

18 Q. But then you say, wait a second, this program did not
19 exist in 1995, and therefore those links would not have
20 existed at the time of the 1995 prior art system. That's
21 what you say; right?

22 A. That's what it says there.

23 Q. So you say everything worked the same except for the
24 part where the Amazon code didn't embed session ID to some
25 of the links. True?

Weissman - cross

1 A. As I say there, Paul Davis testified and described
2 that the affiliate bookstore was an option that wasn't
3 available in 1995. The systems operate substantially the
4 same way.

5 Q. Substantially the same except for the part where it
6 didn't embed state information in every link; right?

7 A. No, except for this affiliate bookstore which was not
8 available in 1995, so it's not an issue.

9 Q. But you didn't actually review the 1995 templates
10 because they weren't there; right?

11 A. The 1995 templates were as Paul Davis described the
12 same as in the 1996 code.

13 Q. It is a fact, sir, that you don't know how many of
14 the continuations Amazon actually embedded state information
15 into in 1995; true?

16 A. Yes. It's not important to know how many, simply
17 that they had a process by which all would be replaced.

18 Q. My question was a little bit more simple, though.
19 You don't know how many of the continuations Amazon actually
20 embedded state information into in 1995, true?

21 A. The actual numbers, I don't. Actual numbers are not
22 important. It's that all were placed.

23 MR. OUSSAYEF: I have no further questions.

24 THE COURT: Okay. Redirect.

25 MR. HADDEN: Just briefly, Your Honor.

Weissman - redirect

REDIRECT EXAMINATION

BY MR. HADDEN:

Q. On that last point, Dr. Weissman, do you recall Dr. Schmidt's testimony yesterday that if the jury believes Paul Davis, then claim 51 is invalid?

A. I remember that testimony, yep.

Q. And we went through those exact examples from your report where Dr. Schmidt confirmed that none of those links were continuations under the Court's construction. Do you recall that?

A. We did go through it also yesterday.

Q. And didn't Dr. Schmidt also testify that none of that information was therefore at all relevant to the analysis in this case?

A. This is the point we agree.

Q. And on that last point, wasn't IBM's counsel essentially asking you count up all of the links that could have existed on the Amazon website in 1995?

A. That was my interpretation of the question.

Q. Is that at all relevant to your analysis in this case?

A. The actual number is not relevant at all.

Q. What's important is how they were processed; right?

A. The proces in which all were placed in a particular template.

Weissman - redirect

1 Q. And you reviewed and showed the jury the code that
2 does that processing, didn't you?

3 A. Yes, I did.

4 Q. Going to this notion that you didn't opine about
5 combining Mellmer with Liberty Alliance, do you recall that?

6 A. I remember a question about it.

7 Q. Now, when you and I had our first conversation about
8 Liberty Alliance and Mellmer, didn't you walk through
9 exactly why there was motivation to combine this?

10 A. I offered a motivation that these are from the same
11 area, they both talk about identity management, one picks up
12 where the other takes off. This is exactly what a person of
13 ordinary skill would do.

14 Q. In fact, it's not just what a person of ordinary
15 skill would do, it's what Dr. Hinton did, isn't it?

16 A. Dr. Hinton described that Liberty Alliance was relied
17 upon in the system.

18 Q. And adding account creation to Liberty Alliance in
19 the IBM system didn't break the Liberty Alliance standard,
20 did it?

21 A. No, they testified standard sits here, you add
22 features here, the standard stays the same, that code
23 doesn't change, no one modifies the standard, someone else
24 can use it, but you can leverage it and use it.

25 Q. The same would be true if combining the account

1 creation from Mellmer with the Liberty Alliance standard,
2 wouldn't it?

3 A. Absolutely. Mellmer, you just use Liberty Alliance
4 protocol, it wouldn't change them.

5 Q. And the same would be true of combining Sunada with
6 Liberty Alliance, wouldn't it?

7 A. Yes.

8 Q. Have you seen any evidence that anybody took a
9 license to the '346 patent because they wanted a license to
10 that patent instead of the 40,000 other patents that IBM was
11 licensed?

12 A. I have seen no specific evidence presented in this
13 trial.

14 MR. HADDEN: No further questions. Thank you.

15 THE COURT: Thank you. You may step down.

16 Anything further, Mr. Hadden?

17 MR. HADDEN: No, we don't.

18 THE COURT: Okay. All right. Ladies and
19 gentlemen, that completes the evidentiary portion of the
20 trial. I'm going to give you a break at the moment. Still
21 no talking about the case and we'll get you back here in a
22 little bit.

23 (Jury exited the courtroom at 10:36 a.m.)

24 THE COURT: All right. So it does take a little
25 bit of time to print about twenty copies of that long

1 document. How much time do you all think you need to confer
2 with those who have been reviewing them and let me know of
3 any further issues?

4 MR. DESMARAIS: Just five or ten minutes, Your
5 Honor.

6 THE COURT: Okay. We'll check back with you in
7 about ten minutes and then we'll see if there is anything
8 further that needs to be done.

9 MR. MOORE: Your Honor, one quick thing.
10 Mr. Day and I have been talking about how we would get
11 exhibits back to the jurors. One of the issues, there are a
12 lot of exhibits that were admitted in native form, video,
13 source code. I think we're going to negotiate some sort of
14 plan where we would bring a computer and flash drive for
15 those. We need to confer a little bit more. Is that going
16 to be okay with Your Honor?

17 THE COURT: Most likely. We're not going to
18 need that to be worked out mechanically until tomorrow, so I
19 would ask you to also bring Mr. Looby into your discussion
20 at some point.

21 MR. MOORE: We will do that.

22 THE COURT: Thank you. We will be in recess.

23 (A brief recess was taken.)

24 THE COURT: Have you had a chance to review the
25 jury instruction, any further issues, typos, anything

1 further we should discuss?

2 MR. GEIST: Your Honor, Edward Geist for IBM.

3 I'll start with just a couple of typos we found. The first
4 one is on page 14, there is a missing space --

5 MR. DESMARAIS: You have to put the diagram up.

6 THE COURT: You got to speak into the
7 microphone. I can't hear you. You can just tell me where
8 it is.

9 MR. GEIST: On so on page 14 there is just a
10 missing space before '601 over here.

11 THE COURT: Okay. Thank you.

12 MR. GEIST: And then on page 24, just now there
13 are the two asserted claims from the '967, or there are no
14 remaining asserted claims, we have to change from a claims
15 to a claim there.

16 THE COURT: On '967, it should be the remaining
17 claim of the '967?

18 MR. GEIST: Yes, Your Honor.

19 THE COURT: If Groupon has any objection to
20 these changes.

21 MR. HADDEN: Nothing so far, Your Honor.

22 THE COURT: Okay.

23 MR. GEIST: Okay, Your Honor. Now on to the
24 harder parts, probably.

25 THE COURT: Okay.

1 MR. GEIST: The first one is on page 29 here.
2 Your Honor adopted an instruction I believe proposed by
3 Groupon. It says the claim steps, the statement of the law
4 from the case is a step or steps of the claimed method or
5 the patented method. So the issue is that when you say --

6 THE COURT: Are you proposing I change it to a
7 step or steps?

8 MR. GEIST: Yes, Your Honor.

9 THE COURT: I don't know, is that an easy one?

10 MS. SHAMILOV: That's an easy one.

11 THE COURT: You agree with that?

12 MS. SHAMILOV: Sure.

13 THE COURT: That was at the bottom of 29. Well,
14 is it in multiple places on that page?

15 MR. GEIST: We only found it in one place on the
16 page.

17 THE COURT: Was it at the very bottom of 29.

18 MR. GEIST: Yes, Your Honor, second line from
19 the bottom.

20 THE COURT: Any Groupon condition participation
21 in an activity or receipt of a benefit upon performance of a
22 claimed step or steps by third parties, you're okay with
23 that.

24 MR. GEIST: We're okay with that, Your Honor.

25 THE COURT: And Groupon is okay with that?

1 MS. SHAMILOV: Yes, Your Honor.

2 THE COURT: Thank you.

3 MR. GEIST: And then, Your Honor, page 30, Your
4 Honor adopted the implied license proposals from Groupon.
5 We object for the reasons stated previously and --

6 THE COURT: Actual the prior objections are
7 still in the record, we're just focused on anything new that
8 I may have done.

9 MR. GEIST: Your Honor, the next one is on page
10 33, and I think that this one will also be in agreement by
11 the parties. Here it's a list of what was actually
12 presented for invalidity by Groupon. They have a list
13 that's been exchanged between the parties of what is
14 remaining. It differs from what was in the previously
15 submitted final instructions.

16 THE COURT: Thank you. Tell me what I can
17 strike from this list if you agree to striking something.

18 MR. HADDEN: The first one, we can strike that.

19 MS. SHAMILOV: I have it here. I can read it.

20 THE COURT: Come on up, please.

21 MS. SHAMILOV: Can you tell me what the page is?

22 THE COURT: Page 33.

23 MS. SHAMILOV: So you would strike number one
24 and number two, Your Honor.

25 THE COURT: You agree with that, IBM agrees with

1 that?

2 MR. DESMARAI: Yes, Your Honor.

3 MS. SHAMILOV: On number three, we would say
4 claim 51 is anticipated by a book called Spinning the Web.

5 THE COURT: Just claim 51, not 54?

6 MS. SHAMILOV: Correct. Then four -- let me
7 know if I'm going too fast.

8 THE COURT: Let me see if there is any -- do you
9 need to confer?

10 MS. SHAMILOV: Your Honor, we're good on that
11 one.

12 THE COURT: So, some of these are going to be
13 applicable 51 and 54 and at least one is only applicable 51;
14 is that correct?

15 MS. SHAMILOV: Yes, it will be, it lists them by
16 claim.

17 THE COURT: Okay. So then I propose we say
18 Groupon asserts that claims 51 and/or 54, since this list is
19 going to be sometimes 51 and sometimes 54, sometimes both.
20 Do you agree with that?

21 MR. HADDEN: That is fine, Your Honor.

22 MS. SHAMILOV: That is fine.

23 THE COURT: Is IBM okay with that?

24 MR. GEIST: Yes, Your Honor.

25 THE COURT: Is IBM fine with what will now be

1 No. 1 saying claim 51 is anticipated by the book, Spinning
2 the Web?

3 MR. GEIST: Yes, Your Honor.

4 MR. OUSSAYEF: Yes.

5 THE COURT: All right.

6 MS. SHAMILOV: Then the next says claim 54 is
7 obvious in light of Spinning the Web or in light of Spinning
8 the Web and Williams.

9 MR. OUSSAYEF: That is different from what we
10 have. I don't think you had Williams.

11 THE COURT: All right. If you all ...

12 (Counsel confer.)

13 THE COURT: All right. I will give you all a
14 moment after we're done with everything else to confer and
15 see if you can agree on this list.

16 MS. SHAMILOV: And we'll print the list for you,
17 Your Honor. If that is ...

18 THE COURT: I'm going to need you to print it.
19 I need you to be able to tell me it.

20 MS. SHAMILOV: Okay.

21 THE COURT: But skipping past 33 and 34. What
22 is next from IBM?

23 MR. GEIST: Your Honor, the next one is on page
24 41. And this is the anticipation section.

25 THE COURT: Okay.

1 MR. GEIST: And here, Your Honor, you adopted
2 Groupon's proposed construction. We ask that here it says:
3 "has submitted prior art." There is a dispute over whether
4 the Liberty Alliance standards were before the Patent Office
5 or not before the Patent Office. This implies that the
6 Court has taken a position on that issue. We ask that they
7 change it to "at least some."

8 THE COURT: "Groupon has submitted at least some
9 prior art that was not considered?"

10 MR. GEIST: Yes, Your Honor.

11 THE COURT: All right. What does Groupon think?

12 MR. HADDEN: Yes, we object. The patent
13 references are the patent references. They're not there, so
14 it is not in issue.

15 MR. GEIST: And that is the dispute, Your Honor.

16 THE COURT: All right. This is the one that is
17 referenced in the specification but not cited in references
18 considered; is that right?

19 MR. HADDEN: Correct.

20 THE COURT: All right. I will think about that
21 for a moment. Give me one second.

22 All right. Go ahead.

23 MR. GEIST: Next, Your Honor, is on page 47.
24 And here, this is with respect to damages.

25 THE COURT: Okay.

1 MR. GEIST: And here, Your Honor, it's just that
2 there is a repetition with respect to when to award damages.
3 There were two different places where it discussed the '346
4 patent below. Here in the second paragraph, it says: "For
5 the '346 patent, you should also not consider damages if you
6 find that it is not exhausted or licensed."

7 In the first paragraph, there is a similar
8 statement provided: "If you consider it has been exhausted
9 or licensed, you shouldn't consider damages." We think it
10 should be one or the other.

11 THE COURT: Does Groupon have a view?

12 MS. SHAMILOV: Yes, Your Honor. I think what
13 part of what you have here is correct because the first
14 paragraph tells the jury at what point we'll be discussing
15 damages and then explain to them the specifics for the '346.
16 Right? If you are going to admit the implied license in
17 the first paragraph, we need to rewrite the paragraph
18 because they will only get discussions of damages in certain
19 circumstances if all those three things are either met or
20 not.

21 THE COURT: Yes, I thought it was helpful to
22 have a specific instruction on the '346. We've got
23 something similar, you will see on the verdict sheet, just
24 to make sure that the jury understands under what
25 circumstances to get to damages.

1 MR. GEIST: And then, Your Honor, the next is on
2 page -- I'm going to jump back. I'm sorry. On page -- I'll
3 come back to that.

4 Sorry. The next one is on page 51. This is
5 with respect to the relevant factors for reasonable royalty.

6 And here, Your Honor, the parties had competing
7 proposals. And this is with respect to the *Georgia-Pacific*
8 factors.

9 Your Honor adopted both proposals. IBM's
10 proposal was the *Georgia-Pacific* factors themselves
11 whereas Groupon had proposed that the Court split the
12 *Georgia-Pacific* factors in some way with a restatement
13 of them. So they had some restated upfront and then a
14 sentence saying the following are the *Georgia-Pacific*
15 factors with an abbreviated list of factors.

16 As it stands now, there is a repetition because
17 all of the 15 factors were included in IBM's proposal. And
18 then there is additional statements that Groupon had
19 proposed that are adopted in between.

20 So that would be starting at No. 3.

21 THE COURT: Right, I understand.

22 What does Groupon think?

23 MS. SHAMILOV: I'm actually not seeing the
24 repetition. Can you show me where it appears on the top are
25 repetition on the bottom?

1 MR. GEIST: So the first two here, those are
2 *Georgia-Pacific* factors, and then there is the three
3 statements I believe that were proposed by Groupon.

4 That the value of the claimed invention
5 contributes to the website mobile application is getting
6 at the *Georgia-Pacific* factors, valued factors other
7 than the claimed invention contributes, getting at the
8 *Georgia-Pacific* factors but not directly stating them.

9 There is another one: And you may also consider
10 evidence on any of the following factors which you may have
11 heard referred to as the *Georgia-Pacific* factors. We
12 believe that statement is inaccurate because it omits some
13 of the *Georgia-Pacific* factors, but our proposal was to
14 adopt the Court's previous language that just had the 15
15 *Georgia-Pacific* factors in a row for this instruction.

16 THE COURT: Are you saying that this redundant
17 list doesn't actually include all of the *Georgia-Pacific*
18 factors?

19 MR. GEIST: Certainly all of the *Georgia-Pacific*
20 factors are not included below the statement that says the
21 following list are the *Georgia-Pacific* factors.

22 THE COURT: Okay. What does Groupon think I
23 should do?

24 MS. SHAMILOV: I think Your Honor can -- I mean
25 I'm not -- I haven't compared the list, but if Your Honor

1 wants to read all 15? I don't think it is necessary,
2 right?, to read 15 factors. There is no inconsistency.

3 THE COURT: I think the issue was you all had
4 asked me to call out a few of them and tailor them to the
5 case.

6 MS. SHAMILOV: Correct. And that is what this
7 does.

8 THE COURT: Right. So if I -- I guess if you
9 want to point out, if you want to point out the two that are
10 missing from the *Georgia-Pacific* factors, I can add those.
11 And I'm not troubled by the redundancy. I thought it was
12 helpful to call out some that the jury had heard mostly
13 about. So Groupon would be okay with that?

14 MS. SHAMILOV: Yes, I have no objection to the
15 list after "you may also consider these factors" and listing
16 all 15 factors there. That is just fine.

17 THE COURT: Are you able to tell me which two
18 are missing? And if not, I'll give you a minute to look
19 them up.

20 MR. GEIST: One and 2, Your Honor.

21 THE COURT: You have to tell me what they are.

22 MR. GEIST: Sorry.

23 So from the Court's current construction, it's
24 the first and second numbered paragraphs.

25 THE COURT: So you are just asking me to move

1 those two down to be Nos. 1 and 2 down below the
2 *Georgia-Pacific* factors?

3 MR. GEIST: Yes, Your Honor.

4 THE COURT: Is there any objection to that?

5 MS. SHAMILOV: I think, Your Honor, if we're
6 going to call out some that are helpful, which we did at the
7 top, I don't understand why my ability to --

8 THE COURT: That's fine. I'll do it twice. I
9 will move 1 and 2 down to on the first two *Georgia-Pacific*
10 factors. They will also appear as 1 and 2 on the things I'm
11 calling out they may want to consider.

12 MS. SHAMILOV: Sure.

13 THE COURT: Okay. Is there anything else about
14 that?

15 MR. GEIST: Not about that other than preserve
16 our objection, Your Honor.

17 THE COURT: Right.

18 MR. GEIST: And now jumping back -- I'm sorry,
19 Your Honor --

20 THE COURT: Okay.

21 MR. GEIST: -- to page 30. This is again
22 implied license. I don't think I mentioned this the first
23 time through. But catch me if I'm wrong on that.

24 So this just includes in the bottom sentence, a
25 statement that if they find implied license, they must find

1 that Groupon does not infringe.

2 Our understanding, Your Honor, it is our current
3 intention, we haven't seen the verdict form, is that --

4 THE COURT: There is a question on implied
5 license. Groupon, I think you agreed I could take that
6 sentence out?

7 MS. SHAMILOV: I actually have it flagged to
8 change it, Your Honor. I think it should have that language
9 that "Groupon does not infringe the '346 patent" should
10 really just be the same language when it says "you must find
11 for Groupon on this issue" so just use that phrase there
12 also.

13 THE COURT: Do you disagree with that?

14 MR. GEIST: Other than our disagreement with the
15 section generally, Your Honor, no.

16 THE COURT: All right. So we'll change at page
17 30, it will say "then you must find for Groupon on this
18 issue."

19 MR. GEIST: Yes, Your Honor.

20 THE COURT: Is there anything else?

21 MR. GEIST: Not from IBM, Your Honor.

22 THE COURT: Is there anything from Groupon?

23 MS. SHAMILOV: Yes, just a couple issues.

24 One on infringement on page 26, second line.

25 You say that "IBM must prove all steps of the

1 claimed method performed, dictated by, or attributable to
2 Groupon." I think it should say "performed or attributable
3 to Groupon. "Dictated" is not in any case law on this case,
4 and the only cases they cite, SiRF, the word "dictated" is
5 used to describe the accused system. It's not the standard
6 so it should say "performed or attributable."

7 THE COURT: Does IBM disagree with that?

8 MR. GEIST: We do, Your Honor. That is not
9 directly the standard that was used in the SiRF case by the
10 Federal Circuit in 2010 and since been used by other courts.

11 THE COURT: All right. I'm going to go with
12 Groupon on this. The theories we're presenting to the jury
13 are the performed or the attributable infringement as we
14 agreed or as I ruled earlier today.

15 MR. GEIST: Understood. And I obviously will
16 preserve our objection on that issue.

17 THE COURT: Obviously, yes.

18 MS. SHAMILOV: There was also --

19 THE COURT: And just -- I'm sorry. Does
20 "dictated" only appear on that one place on the second line?

21 MS. SHAMILOV: That is where I found it.

22 THE COURT: Okay.

23 MS. SHAMILOV: There is also an issue here
24 because the way this is written right now, it implies that
25 the "performed or attributable" language applies to all

1 infringement issues, and it doesn't, so that basically
2 confuses the infringement theories on all the patents.

3 I think we need to break it up and we have an
4 instruction on page 29, right?, that deals with it, and I
5 think that is where the word needs to go to be more
6 accurate.

7 THE COURT: So you would have me actually delete
8 reference to "attributable" at page 26.

9 MS. SHAMILOV: Correct.

10 THE COURT: All right. What does IBM think of
11 that?

12 MR. GEIST: We think that is incorrect, Your
13 Honor. The statement that is being included is the
14 statement for direct infringement. This is the standard for
15 direct infringement for a method claim, as Your Honor has
16 found.

17 THE COURT: I'm going to keep the reference to
18 "attributed" at page 26. I think the totality of the
19 instructions will make it clear as well as probably the
20 arguments that the attributable infringement theory only
21 applies to the particular patents.

22 MS. SHAMILOV: On 29, I thought this morning we
23 agreed that there has to be claim element for which this
24 applies, and counsel said it applies to claim elements in
25 '849 patent but we're listing '967 here. So we think this

1 should really only be with respect to the '849 patent based
2 on discussion this morning.

3 THE COURT: Is IBM asking for attributable
4 infringement for both the '849 and '967?

5 MR. GEIST: Yes, Your Honor. As Mr. Oussayef
6 discussed this morning, there is that portion of the '967.

7 THE COURT: All right. His argument, such as it
8 was, was much stronger on the one patent than the other but
9 my finding was meant to apply to both of those.

10 MS. SHAMILOV: I, just for the record, will
11 preserve the objection to that.

12 On 32 on willful infringement. Willful
13 infringement is always sort of a confusing concept for the
14 jury, because it is an extra thing to infringement. So
15 we had -- I think we need to point out, which is case law,
16 that mere infringement is not enough. And I think it is
17 important for the jury to know that just because they found
18 infringement doesn't mean that there is necessarily willful
19 infringement. And I don't think there is anything in this
20 instruction without that, that should be noncontroversial
21 phrase.

22 THE COURT: Something to the effect of just
23 because you may have found Groupon infringes does not mean
24 they willfully infringe?

25 MS. SHAMILOV: Correct.

1 THE COURT: Does IBM object to that?

2 MR. GEIST: That's fine, Your Honor.

3 THE COURT: Okay. Ms. Shamilov, do you want to
4 propose where I add that sentence?

5 MS. SHAMILOV: Yes. I think I would propose it
6 at the end of the first paragraph. However, a finding -- a
7 mere infringement is not -- a finding of mere infringement
8 is not enough to find willfulness.

9 MR. GEIST: Your Honor, we do find that language
10 objectionable. The language Your Honor enunciated earlier,
11 that we're okay with that.

12 And as far as proposal for where to put it, I
13 think it makes sense, Your Honor, after the statement about
14 whether an accused infringer's knowledge of the patents is
15 sufficient, I think you could also say that "infringement
16 itself is not sufficient," followed by "if sufficient, does
17 not invalidate."

18 THE COURT: All right. What I'm going to do is
19 create a new paragraph what is now before the last paragraph
20 which is a single sentence. So it would be the third
21 paragraph of the instruction will say: "However, just
22 because you may have found Groupon infringes does not mean
23 Groupon willfully infringes."

24 MS. SHAMILOV: Thank you, Your Honor.

25 THE COURT: All right. Anything further you

1 want to say about that?

2 MR. GEIST: No, Your Honor.

3 THE COURT: Okay.

4 MS. SHAMILOV: And then my last thing. On page
5 39, we were describing prior art, there is a 102(g)
6 instruction. And we are talking about the Amazon system and
7 that date is first.

8 THE COURT: Right. I thought that was the issue
9 yesterday that we, at least IBM argued he never disclosed a
10 prior invention defense. And it's just an anticipation
11 defense.

12 MS. SHAMILOV: There is plenty of support in our
13 expert report talking about full data and the word validity
14 contentions, the issues of law with the pretrial order we
15 submitted lists 102(g) there. There were certainly, there
16 are certainly disclosures of full data, doing it first, and
17 then whatever he did mapping to the claim. I am not sure if
18 I was in court for that discussion. I didn't remember.

19 THE COURT: I think it was late yesterday. I
20 think you were but, Mr. Oussayef, I think was here, too.
21 Your contention I think is that they never disclosed the
22 prior art invention theory; right?

23 MR. OUSSAYEF: That's correct, Your Honor.

24 THE COURT: I was persuaded by that, right or
25 wrong, so that is why we took the prior invention out. Not

1 adequately disclosed.

2 MS. SHAMILOV: I think these are all the issues
3 I saw, Your Honor.

4 THE COURT: Okay. So you all are going to work
5 on 33, the Invalidity - Generally, and there was one issue
6 of anticipation that I need to think about.

7 So how long will you need to figure out this
8 list of prior art?

9 MR. GEIST: Your Honor, the parties exchanged
10 e-mails and it came directly from them what should be on the
11 list that we thought should be agreed to. It should not
12 take that long.

13 THE COURT: We'll check back in a couple
14 minutes.

15 MS. SHAMILOV: Thank you, Your Honor.

16 (Brief recess taken.)

17 * * *

18 (Proceedings reconvened after recess.)

19 THE COURT: All right. So Mr. Looby handed me a
20 list of the prior art references I understand that is agreed
21 to. Is that correct?

22 MR. GEIST: That's correct, Your Honor.

23 MS. SHAMILOV: Yes, Your Honor.

24 THE COURT: So he will make that change. And
25 then on Anticipation, I'm not making a finding on whether

1 the prior art was or was not considered by the PTO, and I
2 didn't intend to. So we're going to rewrite that second
3 paragraph of Anticipation, page 41.

4 It will say in relevant part: Groupon contends
5 that some of the asserted claims of the patents-in-suit are
6 invalid for anticipation. Groupon must convince you of this
7 by clear and convincing evidence. Groupon contends that it
8 has presented in this trial prior art that was not
9 considered by the Patent Office during prosecution of the
10 patents-in-suit. In deciding the issue of invalidity, you
11 may take into account whether the prior art was not
12 considered by the Patent Office when it issued the
13 patents-in-suit.

14 Any questions about that or anything further on
15 that?

16 MR. GEIST: No, Your Honor.

17 THE COURT: Questions?

18 MS. SHAMILOV: No, Your Honor.

19 THE COURT: All right. So we're going to make
20 all these changes and then start printing. And as soon as
21 that is done, we'll grab the jury and come in and read the
22 instructions. We will be in recess.

23 (Brief recess taken.)

24 * * *

25 (Proceedings reconvened after recess.)

1 THE COURT: I have the final instructions. I'm
2 going to bring the jury in to read them. Any issues before
3 we do that?

4 MR. OUSSAYEF: No, Your Honor.

5 (Discussion off the record.)

6 THE COURT: We're ready to bring the jury in.
7 Do you have copies for the parties? We'll bring the jury
8 in.

9 (Jury entering the courtroom at 11:47 p.m.)

10 THE COURT: All right. Welcome back, ladies and
11 gentlemen. Mr. Looby is going to hand you each your very
12 own copy of the document called final jury instructions.
13 It's 59 pages, plus the table of contents. It took me a
14 little while to finish those up and to make copies for
15 everyone, but we are now ready for me to read them to you.
16 What I'm going to do is read to you through page 54 between
17 now and 1:00 p.m., unless I get too tired or 1:00 p.m.
18 arrives before I get to page 54, in which case I'll finish
19 in the morning. But I'll definitely be letting you go by
20 1:00 p.m. today.

21 And once I have read through page 54, tomorrow
22 morning you will hear from counsel. The plaintiff gets to
23 make a closing argument and then the defendant, and then
24 plaintiff gets to make a rebuttal argument.

25 Once that's all done, I'll read you the last few

1 pages of these instructions and I will give you a verdict
2 sheet tomorrow which will show you the questions that we
3 need you to answer, and I'll read that to you as well
4 tomorrow. Once all that is done, the case will be submitted
5 to you for your deliberations and that will be some time
6 tomorrow.

7 So, with that background, again, feel free to
8 follow along as I'm reading to you if you wish. I am going
9 to start on page one of these instructions. One is General
10 Instructions.

11 1.1. Introduction.

12 Members of the jury, now it is time for me to
13 instruct you about the law that you must follow in deciding
14 this case. Each of you have been provided a copy of these
15 instructions. You may read along as I deliver them if you
16 prefer.

17 I will start by explaining your duties and the
18 general rules that apply in every civil case. Then I will
19 explain some rules that you must use in evaluating
20 particular testimony and evidence. Then I will explain the
21 positions of the parties and the law you will apply in case.
22 And last, I will explain the rules that you must follow
23 during your deliberations in the jury room, and the possible
24 verdicts that you may return.

25 Please listen very carefully to everything I

1 say.

2 You will have a written copy of these
3 instructions with you in the jury room for your reference
4 during your deliberations. You will also have a verdict
5 form which will list the questions that you must answer to
6 decide this case.

7 1.2. Jurors' Duties.

8 You have two main duties as jurors. The first
9 is to decide what the facts are from the evidence that you
10 saw and heard in court. Deciding what the facts are is your
11 job, not mine, and nothing that I have said or done during
12 this trial was meant to influence your decision about the
13 facts in any way. You are the sole judges of the facts.

14 Your second duty is to take the law that I give
15 you, apply it to the facts, and decide under the appropriate
16 burden of proof which party should prevail on any given
17 issue. It is my job to instruct you about the law, and you
18 are bound by the oath you took at the beginning of the trial
19 to follow the instructions that I give you even if you
20 personally disagree with them. This includes the
21 instructions that I gave you before and during the trial,
22 and these instructions. All of the instructions are
23 important, and you should consider them together as a whole.

24 Perform these duties fairly. Do not guess or
25 speculate, and do not let any bias, sympathy or prejudice

1 you may feel toward one side or the other influence your
2 decision in any way.

3 1.3. Evidence Defined.

4 You must make your decision based only on the
5 evidence that you saw and heard here in court. Do not let
6 rumors, suspicions, or anything else that you may have seen
7 or heard outside of court influence your decision in any
8 way.

9 The evidence in this case includes only what the
10 witnesses said while they were testifying under oath
11 (including deposition transcript testimony that has been
12 played by video or read to you), the exhibits that I allowed
13 into evidence, and the stipulations to which the lawyers
14 agreed.

15 Certain charts and graphics have been used to
16 illustrate testimony from witnesses. Unless I have
17 specifically admitted them into evidence, these charts and
18 graphics are not themselves evidence, even if they refer to,
19 identify, or summarize evidence, and you will not have these
20 demonstratives in the jury room.

21 Nothing else is evidence. The lawyers'
22 statements and arguments are not evidence. The arguments of
23 the lawyers are offered solely as an aid to help you in your
24 determination of the facts. Their questions and objections
25 are not evidence. My legal rulings are not evidence. You

1 should not be influenced by a lawyer's objection or by my
2 ruling on that objection. Any of my comments and questions
3 are not evidence.

4 During the trial I may have not let you hear the
5 answers to some of the questions that the lawyers asked. I
6 also may have ruled that you could not see some of the
7 exhibits that the lawyers wanted you to see. And, sometimes
8 I may have ordered you to disregard things that you saw or
9 heard, or that I struck from the record. You must
10 completely ignore all of these things. Do not speculate
11 about what a witness might have said or what an exhibit
12 might have shown. These things are not evidence, and you
13 are bound by your oath not to let them influence your
14 decision in any way. Make your decision based only on the
15 evidence, as I have defined it here, and nothing else.

16 1.4. Direct and Circumstantial Evidence.

17 During the preliminary instructions, I told you
18 about "direct evidence" and "circumstantial evidence." I
19 will now remind you what each means.

20 Direct evidence is simply evidence like the
21 testimony of an eye witness which, if you believe it,
22 directly proves a fact. If a witness testified that he saw
23 it raining outside, and you believe him, that would be
24 direct evidence that it was raining.

25 Circumstantial evidence is simply a chain of

1 circumstances that indirectly proves a fact. If someone
2 walked into the courtroom wearing a raincoat covered with
3 drops of water and carrying a wet umbrella, that would be
4 circumstantial evidence from which you could conclude that
5 it was raining.

6 It is your job to decide how much weight to give
7 the direct and circumstantial evidence. The law makes no
8 distinction between the weight that you should give to
9 either one, nor does it say that one is any better evidence
10 than the other. You should consider all the evidence, both
11 direct and circumstantial, and give it whatever weight you
12 believe it deserves.

13 1.5. Consideration of Evidence.

14 You should use your common sense in weighing the
15 evidence. Consider it in light of your everyday experience
16 with people and events, and give it whatever weight you
17 believe it deserves. If your experience tells you that
18 certain evidence reasonably leads to a conclusion, you are
19 free to reach that conclusion.

20 1.6. Statements of Counsel.

21 A further word about statements of counsel and
22 arguments of counsel. The attorneys' statements and
23 arguments are not evidence. Instead, their statements and
24 arguments are intended to help you review the evidence
25 presented.

1 If you remember the evidence differently from
2 the way it was described by the attorneys, you should rely
3 on your own recollection.

4 1.7. Credibility of Witnesses.

5 You are the sole judges of each witness's
6 credibility. You may believe everything a witness says, or
7 part of it, or none of it. You should consider each
8 witness's means of knowledge; strength of memory;
9 opportunity to observe; how reasonable or unreasonable the
10 testimony is; whether it is consistent or inconsistent;
11 whether it has been contradicted; the witness's biases,
12 prejudices, or interests; the witnesses' manner or demeanor
13 on the witness stand; and all circumstances that, according
14 to the evidence, could affect the credibility of the
15 testimony.

16 In determining a weight to give to the testimony
17 of a witness, you should ask yourself whether there is
18 evidence tending to prove that the witness testified falsely
19 about some important fact or whether there was evidence that
20 at some other time the witness said or did something, or
21 failed to say or do something, that would differ from the
22 testimony he or she gave at the trial in person or by
23 deposition testimony played by video or read to you. You
24 have the right to distrust such witness's testimony and you
25 may reject all or some of the testimony of that witness or

1 give it such credibility as you may think it deserves.

2 You should remember that a simple mistake by a
3 witness does not necessarily mean that the witness is not
4 telling the truth. People may tend to forget some things or
5 remember other things inaccurately. If a witness has made a
6 misstatement, you must consider whether it was an innocent
7 lapse of memory or an intentional falsehood, and that may
8 depend on whether it concerns an important fact or an
9 unimportant detail.

10 One more point about the witnesses. Sometimes
11 jurors wonder if the number of witnesses who testified makes
12 any difference. Proof of a fact does not necessarily depend
13 on the number of witnesses who testified about it. Unless I
14 instruct you otherwise, the testimony of a single witness
15 may be sufficient to prove any fact, even if a greater
16 number of witnesses may have testified to the contrary if
17 after all the evidence you believe that single witness.

18 Do not make any decisions based only on the
19 number of witnesses who testified. What is more important
20 is how believable the witnesses were, and how much weight
21 you think their testimony deserves. Concentrate on that,
22 not the number.

23 1.8. Expert Witnesses.

24 Expert testimony is testimony from a person who
25 has a special skill or knowledge in some science,

1 profession, or business. This skill or knowledge is not
2 common to the average person but has been acquired by the
3 expert through special study or experience.

4 In weighing expert testimony, you may consider
5 the expert's qualifications, the reasons for the expert's
6 opinions, and the reliability of the information supporting
7 the expert's opinions, as well as the factors I have
8 previously mentioned for weighing testimony of any other
9 witness. Expert testimony should receive whatever weight
10 and credit you think appropriate given all the other
11 evidence in the case. You are free to accept or reject the
12 testimony of experts, just as with any other witness.

13 1.9. Deposition Testimony.

14 During the trial, certain testimony was
15 presented to you by the playing of video excerpts from a
16 deposition. The deposition testimony may have been edited
17 or cut to exclude irrelevant testimony as the parties have
18 only a limited amount of time to present you with evidence.
19 You should not attribute any significance to the fact that
20 the deposition videos may appear to have been edited.

21 Deposition testimony is out of court testimony
22 given under oath and is entitled to the same consideration
23 you would give it had the witnesses personally appeared in
24 court.

25 1.10. Rule 30(b)(6) Deposition Testimony.

1 In this case, there were certain witnesses
2 identified as "Rule 30(b)(6) witnesses" for the parties.
3 They are: Robert Filepp, Heather Hinton, Thomas McBride,
4 and Arun Iyengar for IBM; and Jason Carlisle, Phillip
5 Dunham, Jim Breen, Damien Schmitz, and Jan Krems for
6 Groupon. These Rule 30(b)(6) witnesses were designated to
7 speak at their deposition on certain topics on behalf of the
8 entities which designated them as Rule 30(b)(6) witnesses.
9 Rule 30(b)(6) witnesses are required to testify about
10 information known or reasonably available to the designated
11 entity related to those particular topics. For answers
12 within the designated topics, the entity is bound by the
13 answers provided by its Rule 30(b)(6) witness.

14 If these witnesses also provided testimony
15 outside of their designated topics based on their personal
16 knowledge and/or provided their personal opinions in
17 addition to testifying to factual information on behalf of
18 the designating entities, the designating entities are not
19 bound by answers that provide personal knowledge and/or
20 personal opinions that are outside of the designated topics.

21 1.11. Demonstrative Exhibits.

22 During the course of the trial, you have seen
23 many exhibits. Many of these exhibits were admitted as
24 evidence. You will have these admitted exhibits in the jury
25 room for your deliberations. The remainder of the exhibits

1 (including charts, PowerPoint presentations, and animations)
2 were identified to help illustrate the testimony of the
3 various witnesses. These illustrative exhibits, called
4 "demonstrative exhibits," have not been admitted, are not
5 evidence, and should not be considered as evidence. Rather,
6 it is the underlying testimony of the witness that you heard
7 when you saw demonstrative exhibits that is in evidence in
8 this case.

9 1.12. Use of Notes.

10 You may have taken notes during trial to assist
11 your memory. As I instructed you at the beginning of the
12 case, you should use caution in consulting your notes.
13 There is generally a tendency I think to attach undue
14 importance to matters which one has written down. Some
15 testimony which is considered unimportant at the time
16 presented, and thus not written down, takes on greater
17 importance later in the trial in light of all the evidence
18 presented. Therefore, your notes are only a tool to aid
19 your own individual memory, and you should not compare notes
20 with any other jurors in determining the content of any
21 testimony or in evaluating the importance of any evidence.
22 Your notes are not evidence, and are by no means a complete
23 outline of the proceedings or a list of the highlights of
24 the trial.

25 Above all, your memory should be the greatest

1 asset when it comes time to deliberate and render a decision
2 in this case.

3 1.13. Burdens of Proof.

4 In any legal action, facts must be proven by a
5 required standard of evidence, known as the "burden of
6 proof." In a patent case such as this, there are two
7 different burdens of proof that are used. The first is
8 called "preponderance of the evidence." The second is
9 called "clear and convincing evidence." I told you about
10 these two standards of proof during my preliminary
11 instructions to you and I will now remind you what they
12 mean.

13 IBM contends that Groupon has infringed claims 1
14 and 2 of the '967 patent, claims 1 and 8 of the '849 patent,
15 claims 51 and 54 of the '601 patent, and claims 1 and 5 of
16 the '346 patent. A party asserting patent infringement has
17 the burden of proving infringement by a preponderance of the
18 evidence. A preponderance of the evidence is evidence that,
19 when considered in light of all of the facts, leads you to
20 believe that what that party claims is more likely true than
21 not. To put it differently, if you were to put the parties'
22 evidence on opposite sides of a scale, the evidence
23 supporting IBM's claims must make the scales tip somewhat
24 toward its side. If it does not, and the scale remains
25 equal or tips the other way, then IBM failed to prove its

1 infringement claims.

2 Groupon denies that it has infringed and
3 contends that the asserted claims of the '601 and '346
4 patents are invalid. A party challenging the validity of a
5 patent has the burden of proving that the patent is invalid
6 by clear and convincing evidence. Clear and convincing
7 evidence is evidence that produces an abiding conviction
8 that the truth of a factual contention is highly probable.
9 Proof by clear and convincing evidence is, thus, a higher
10 burden than proof by a preponderance of the evidence.

11 Some of you may have heard the phrase "proof
12 beyond a reasonable doubt." That burden of proof applies
13 only in criminal cases and has nothing to do with a civil
14 case like this one. You should therefore not consider it in
15 this case.

16 That takes us to Section 2. The Parties and
17 Their Contentions.

18 2.1. The Parties.

19 I will now review for you the parties in this
20 action, and the position of the parties that you will have
21 to consider in reaching your verdict.

22 As I have previously told you, the plaintiff in
23 this case is Internet Business Machines Corporation. I will
24 refer to the plaintiff as "IBM" or "Plaintiff." The
25 defendant in this case is Groupon Inc. I will refer to the

1 defendant as "Groupon" or "Defendant."

2 2.2. The Parties' Contentions.

3 There are four patents at issue in this case:
4 United States Patent Nos. 5,796,967; 7,072,849; 5,961,601;
5 and 7,631,346. You may have heard the lawyers and witnesses
6 in this case refer to the IBM's patents as the '967 patent,
7 the '849 patent, the '601 patent, and the '346 patent, or
8 collectively as the patents-in-suit.

9 Copies of the '967, '849, '601, and '346 patents
10 have been given to you.

11 IBM contends that Groupon's website and mobile
12 website infringe claims 1 and 2 of the '967 patent. IBM
13 also contends that Groupon's website, mobile website, and
14 mobile applications infringe claims 1 and 8 of the '849
15 patent, claims 51 and 54 of the '601 patent, and claims 1
16 and 5 of the '346 patent. Specifically, IBM contends that
17 Groupon directly infringes the asserted claims of the '967,
18 '849, '601, and '346 patents. IBM also contends that
19 Groupon's infringement was willful. IBM further contends
20 that it is entitled to damages to compensate IBM for
21 Groupon's infringement of the '967, '849, '601, and '346
22 patents.

23 Groupon denies that it infringes any asserted
24 claim of the '967, '849, '601, and '346 patents, and that
25 any infringement was willful. Groupon also contends that

1 the asserted claims of the '601 and '346 patents are invalid
2 for several independent reasons and that any alleged use of
3 the '346 patent is licensed and IBM has exhausted its right
4 to assert that patent. Groupon contends that IBM is not
5 entitled to recover any damages in this case.

6 2.3. Summary of the Patent Issues.

7 I will now summarize the patent issues that you
8 must decide and for which I will provide instructions to
9 guide your deliberations. Here are the issues you must
10 decide:

11 1. Whether IBM has proven by a preponderance of
12 the evidence that Groupon is liable for infringement of one
13 or more of the asserted claims.

14 2. Whether Groupon has proven by a
15 preponderance of the evidence that it had an implied license
16 to practice the '346 patent and/or that IBM's rights to
17 assert the '346 patent against Groupon were exhausted by
18 virtue of IBM's license to Facebook and/or Google.

19 3. Whether IBM has proven by a preponderance of
20 the evidence for each patent that the infringement, if any,
21 was willful.

22 4. Whether Groupon has proven by clear and
23 convincing evidence that one or more asserted claims of the
24 '601 and/or '346 patents are invalid.

25 5. If applicable: What amount of damages, if

1 any, IBM has proved by a preponderance of the evidence. (I
2 will explain later the circumstances under which you would
3 need to decide damages.)

4 I will provide more detailed instructions on
5 each of the issues you must decide elsewhere in these jury
6 instructions.

7 Section 3 is called The Patent Claims.

8 3.1. Patent Laws.

9 At the beginning of the trial, I gave you some
10 general information about patents and the patent system and
11 a brief overview of the patent laws relevant to this case.
12 I will now give you more detailed instruction about the
13 patent laws that specifically relate to this case.

14 3.2. Patent Claims Generally.

15 Throughout the trial, and in my instructions,
16 you have heard of about the patent "claims" and the
17 "Asserted Claims." Before you can decide many of the issues
18 in this case, you will need to understand the role of patent
19 "claims." The patent claims are the numbered paragraphs at
20 the end of each patent. The claims are important because
21 the words of the claims define what a patent covers. Only
22 the claims of a patent can be infringed. The claims are
23 intended to define, in words, the bounds of the purported
24 invention. Therefore, the description in a patent
25 specification of a preferred embodiment does not necessarily

1 define the full scope of the patent claim. The figures and
2 text in the rest of the patent provide a description and/or
3 examples of the invention and provide a context for the
4 claims, but it is the claims that define the breadth of the
5 patent as coverage. Each of the asserted claims must be
6 considered individually.

7 Each claim is effectively treated as if it were
8 a separate patent, and each claim may cover more or less
9 than another claim. Therefore, what a patent covers
10 depends, in turn, on what each of its claims covers. You
11 will first need to understand what each claim covers in
12 order to decide whether or not there is infringement of the
13 claim and to decide whether or not the claim is invalid.

14 37.3. Construction of the Claims.

15 It is the Court's duty under the law to define
16 what the patent claims mean. As I instructed you at the
17 beginning of the case, I have made my determinations, and I
18 will now instruct you on the meaning of the claim terms.
19 You must apply the meaning that I give in each patent claim
20 to decide if the claim is infringed or invalid. You must
21 accept my definitions of these words or groups of words in
22 the claims as being correct. You must ignore any different
23 definitions used by the witnesses, including expert
24 witnesses, or the attorneys.

25 You are advised that the following definitions

1 for the following terms or groups of terms must be applied:

2 With the '967 patent for the claim term "object"
3 or "objects," the construction is "data structure or
4 structures."

5 "Application" or "applications," the
6 construction is "information events composed of a sequence
7 of one or more pages opened at a screen."

8 For the claim term "the objects being retrieved
9 from the objects stored at the respective reception system,
10 or if unavailable from the objects stored at the respective
11 reception system, then from the network," the construction
12 is "the objects being retrieved from the objects stored at
13 the respective reception system, or, if the current versions
14 of the objects are not present from the objects stored at
15 the respective reception system, then from the network."

16 The claim term "permit random movement" has the
17 construction "allow navigation to other applications at the
18 user's behest."

19 The claim term "at least one procedure for
20 navigating to a new application/a plurality of different
21 procedure (sic) for navigating to a new application" has the
22 construction "at least one procedure for moving to another
23 application/a plurality of different procedures for moving
24 to another application."

25 The claim term "computer network/the network"

1 has the construction "two or more interconnected computers."

2 The claim term "command function" or "command
3 functions" is construed as "a function that enables the user
4 to interact with the reception system and other elements of
5 the network."

6 The claim term "a first partition for presenting
7 applications" has the construction "a first area for
8 presenting applications." And,

9 The claim term "a second partition for
10 presenting a plurality of command functions" has the
11 construction "a second area for presenting a plurality of
12 command functions."

13 For the '849 patent, the claim term "object" or
14 "objects" has the construction "data structure or
15 structures."

16 The claim term "application" or "applications"
17 has the construction "information events composed of a
18 sequence of one or more pages opened at a screen."

19 "selectively storing advertising objects at a
20 store established at the reception system" has the
21 construction, "pre-fetching advertising objects and storing
22 at a store established at the reception system in
23 anticipation of display concurrently with the applications."

24 The claim term "structuring advertising in a
25 manner compatible to that of the applications so that it may

1 be presented" has the construction "formatting advertising
2 for potential use with a plurality of applications."

3 The claim term "computer network/the network"
4 has the construction "two or more interconnected computers."

5 The claim term "structuring applications so that
6 they may be presented through the network at a first portion
7 of one or more screens of display, structuring applications
8 so that they may be presented at a first portion of one or
9 more screens of display" has the construction "formatting
10 applications so that they may be presented through the
11 network at a first area of one or more screens of display,
12 formatting applications so that they may be presented at a
13 first area of one or more screens of display." And,

14 The claim term "at a second portion of one or
15 more screens of display concurrently with applications" has
16 the construction "at a second area of one or more screens of
17 display concurrently with applications."

18 Turning to the '601 patent.

19 The claim term "recursively embedding the state
20 information in all identified continuations" has the
21 construction "applying a process one or more times to each
22 identified continuation to modify all identified
23 continuations to include state information."

24 The claim term "continuation" or "continuations"
25 has the construction "a new request which a client may send

1 to a server, such as, for example, a hyperlink."

2 The claim term "all continuations in an output
3 from said service" has the construction "all new requests
4 which a client may send to a server, such as, for example, a
5 hyperlink, in an output from said service."

6 The claim term "stateless protocol" has the
7 construction "a protocol where every request from a client
8 to a server is treated independently of previous
9 connections."

10 The claim term "client" has the construction "a
11 computer which issues commands to the server which performs
12 the task associated with the command."

13 The claim term "conversation" or "conversations"
14 has the construction "a sequence of communications between a
15 client and server in which the server responds to each
16 request with a set of continuations and the client always
17 picks the next request from the set of continuations."

18 The claim term "state information" has the
19 construction "information about a conversation between a
20 client and a server."

21 Finally, the '346 patent.

22 "The preamble of claim 1." For that, you are
23 told "the preamble limits the claim."

24 For the term "federated computing environment,"
25 the construction is "a set of distinct entities, such as

1 enterprises, organizations, institutions, et cetera, that
2 cooperate to provide a single-sign-on, ease-of-use
3 experience to a user, wherein the enterprises need not have
4 a direct, pre-established, relationship defining how and
5 what information to transfer about a user."

6 The claim term "single-sign-on operation" or
7 "single-sign-on operations" has the construction "an
8 authentication process whereby the user is subsequently not
9 required to perform another authentication operation during
10 a particular user session."

11 And the claim term, "user authentication" has
12 the construction, "the process of validating a set of
13 credentials that are provided by a user or on behalf of a
14 user."

15 For any words in the claims for which I have not
16 provided you with a definition, you should apply the plain
17 and ordinary meaning to a person of ordinary skill in the
18 art.

19 3.4. Open Ended or Comprising Claims.

20 The beginning portion or preamble of several of
21 the Asserted Claims has the word "comprising." The word
22 "comprising" means "including the following but not
23 excluding others." A claim that uses the word "comprising"
24 or "including" is not limited to products or processes
25 having only the elements that are recited in the claim, but

1 also covers products or processes that have additional
2 elements that are not recited in the claims.

3 3.5. Independent and Dependent Claims.

4 This case involves two type of patent claims:
5 independent claims and dependent claims. An "independent
6 claim" sets forth all of the requirements that must be met
7 in order to be covered by that claim. Thus, it is not
8 necessary to look at any other claim to determine what an
9 independent claim covers. In this case, claim 1 of the '967
10 patent is an example of an independent claim. You know this
11 because it mentions no other claims. Accordingly, the words
12 of claim 1 of the '967 patent are read by themselves in
13 order to determine what claim 1 covers. The remaining claim
14 of the '967 patent is a dependent claim.

15 A dependent claim does not itself recite all of
16 the requirements of the claim, but refers to another claim
17 to for some of its requirements. In this way, the claim
18 "depends" on another claim. A dependent claim incorporates
19 all of the requirements of the claim or claims to which it
20 refers. The dependent claim then adds its own additional
21 requirements. To determine what a dependent claim covers,
22 it is necessary to look at both the dependent claim and any
23 other claims to which it refers. Here, for example, claim 2
24 of the '967 patent is a dependent claim. You know this
25 because it refers to independent claim 1 by stating "The

1 method of claim 1 further comprising..." Accordingly, the
2 words of claims 1 and 2 are read together in order to
3 determine what claim 2 of the '967 patent covers.

4 I'm now at Section 4 called Infringement.

5 4.1. Infringement Generally.

6 I will now instruct you on how to decide whether
7 IBM has proven that Groupon has infringed the asserted
8 claims of the patents-in-suit.

9 Infringement is assessed on a claim-by-claim and
10 product-by-product basis. Therefore, there may be
11 infringement as to one claim but no infringement as to
12 another, or infringement by one product and not by another.
13 If, as here, a patent owner asserts multiple patent claims
14 against the same product or method, then you must compare
15 each claim separately against the product or method to
16 determine whether the product or method infringes that
17 individual patent claim.

18 In this case, IBM asserts that Groupon directly
19 infringes the patents-in-suit. In order to prove
20 infringement, IBM must prove that the requirements for
21 infringement are met by a preponderance of the evidence,
22 i.e., that it is more likely than not that all of the
23 requirements of infringement have been proved.

24 4.2. Infringement.

25 To prove infringement by Groupon of a claim, IBM

1 must prove by a preponderance of the evidence that all steps
2 of a claimed method are performed by or attributable to
3 Groupon. The presence of other steps beyond those claimed
4 does not avoid infringement, as long as each and every
5 claimed step is performed.

6 You must determine, separately for each Asserted
7 Claim, whether a claim is directly infringed. If you find
8 that an asserted independent claim on which other claims
9 depend is not infringed, there cannot be infringement of any
10 dependent claim that refer directly or indirectly to that
11 independent claim. If you find that an independent claim
12 has been infringed, then you must decide, separately,
13 whether the accused technology performs the additional steps
14 of the asserted dependent claims that depend from the
15 independent claim to determine if the accused technology
16 infringes the dependent claims.

17 All asserted claims in this case are method
18 claims. Method claims are said to cover a method or a
19 process that includes each of the steps recited in the
20 claim, which may be referred to as "claim steps."

21 Infringement of a method claim occurs only when each step of
22 the method claim is actually performed. Offering a system
23 or service does not itself infringe a method claim. In
24 order for a method claim to be infringed, IBM must prove
25 that each step of the claimed method is actually performed,

1 not merely that a system or service has been offered that is
2 capable of performing the claimed method.

3 IBM asserts the following claims and contends
4 that the following infringes them.

5 For the '967 patent, the asserted claims are 1
6 and 2, and the accused product is Groupon's Website.

7 For the '849 patent, the asserted claims are 1
8 and 8, and the accused products are Groupon's Website and
9 Groupon's Mobile Applications.

10 For the '601 patent, the asserted claims are 51
11 and 54 and the accused products are Groupon's Website and
12 Groupon's Mobile Applications. And for the '346 patent, the
13 asserted claims are one and five, and the accused products
14 are Groupon's website and Groupon's mobile application.

15 4.3. Infringement - Knowledge of the Patent and
16 Intent to Infringe are Immaterial.

17 Someone can directly infringe a patent without
18 knowing of the patent or without knowing that what they are
19 doing is an infringement of the patent. They also may
20 directly infringe a patent even though they believe in good
21 faith that what they are doing is not an infringement of any
22 patent. A patentee need not always have direct -- a
23 patentee need not always have direct evidence of
24 infringement, as infringement may be established by
25 circumstantial evidence.

1 4.4. Infringement - Acts of Multiple Parties
2 Must Be Combined to Meet All Claim Limitations.

3 Infringement occurs where all steps of the
4 claimed method are performed by, or are attributable to, a
5 single party. Where more than one party is involved in
6 practicing the steps, you must determine whether the acts of
7 one are attributable to the other such that a single party
8 is responsible for the infringement. There are two
9 situations where there may be infringement if no single
10 party performs all of the steps of a claimed process but
11 more than one party performs every step of the process: (1)
12 the parties have formed a join enterprise or (2) one party
13 directs or controls the other party's performance of the
14 claim steps.

15 In this case, IBM alleges that if Groupon does
16 not perform all steps of the claimed methods of the '849
17 patent and '967 patent, Groupon is still liable for
18 infringement of those patents because any steps that it does
19 not itself perform are attributable to Groupon, even if they
20 are performed by another party. IBM alleges that Groupon
21 and third parties collectively infringe claims 1 and 8 of
22 the '849 patent and claims 1 and 2 of the '967 patent. IBM
23 does not allege that Groupon infringes any of the '346 and
24 '601 patents through any actions taken by third parties.

25 For infringement through combined acts of

1 multiple parties to be proved, IBM must prove by a
2 preponderance of the evidence (1) that all steps of the
3 claimed process were performed in the United States and (2)
4 that the acts of third parties are attributable to Groupon
5 either because Groupon and the third parties have formed a
6 joint enterprise or because Groupon directs or controls the
7 acts of the third parties.

8 To prove that Groupon directed or controlled the
9 acts of third parties, IBM must prove (1) that Groupon
10 conditions participation in an activity or receipt of a
11 benefit upon performance of a claim step or steps by third
12 parties and (2) that Groupon established how or when the
13 claimed step or steps were performed.

14 4.5. Implied License.

15 I will now instruct you on determining whether
16 Groupon has an implied license to practice the '346 patent.
17 You must determine whether IBM's licenses with Facebook and
18 Google grant to Groupon an implied license to use and
19 provide access to Facebook's and Google's sign-on/sign-up
20 technologies.

21 To prevail on the defense of implied license,
22 Groupon must prove by a preponderance of the evidence that
23 IBM's licenses to Facebook and Google authorize Facebook
24 and/or Google to distribute their sign-on/sign-up technology
25 to third parties, such as Groupon, and allow those third

1 parties to use those sign-on/sign-up technologies in a
2 manner that may practice the '346 patent. If you find that
3 IBM's licenses to Facebook and Google authorize such
4 conduct, then you must find for Groupon on this issue.

5 4.6. Patent Exhaustion.

6 I will now instruct you on determining whether
7 IBM's rights to assert the '346 patent against Groupon are
8 "exhausted," and thus barred under the doctrine of patent
9 exhaustion. If IBM's rights are exhausted, then Groupon
10 cannot be found to infringe the '346 patent. You must
11 determine whether IBM's rights are exhausted as a result of
12 its licenses with Facebook and Google.

13 To prevail on the defense of patent exhaustion,
14 Groupon must prove that the following by a preponderance of
15 the evidence:

16 First, that IBM's licenses to Facebook and/or
17 Google authorize Facebook and/or Google to provide their
18 sign-on/sign-up technology to third parties.

19 And second, that Facebook's and/or Google's
20 sign-on/sign-up technologies substantially embody the '346
21 patent by including all the inventive aspects of the method
22 patented in the '346 patent. To "substantially embody" the
23 '346 patent, the sign-on/sign-up technologies need not
24 include all requirements of the patented method, so long as
25 it includes all inventive aspects.

1 Groupon must prove both of these elements to
2 prevail to this defense of patent exhaustion. If Groupon
3 does not prove any one of these elements, you must reject
4 Groupon's affirmative defense and find for IBM on this
5 issue. If you find that Groupon has proven both of these
6 elements, you must find for Groupon on this issue.

7 4.7. Willful Infringement.

8 If you have decided that Groupon has infringed
9 any claims of the patents-in-suit you must go on and address
10 the additional issue of whether or not this infringement was
11 willful.

12 To prove willful infringement of a patent, IBM
13 must prove by a preponderance of the evidence that Groupon
14 had knowledge of the patent and that Groupon's conduct was
15 at least reckless, that is, that Groupon knew, or should
16 have known, that its conduct amounted to infringement of the
17 patent. An accused infringer's knowledge of a patent,
18 without more, is insufficient to establish willfulness. To
19 determine whether Groupon acted willfully, consider all of
20 the facts. In determining whether IBM has proven that
21 Groupon's infringement was willful, you must consider all of
22 the circumstances and assess Groupon's knowledge at the time
23 the challenged conduct occurred.

24 However, just because you may have found that
25 Groupon infringes does not mean that Groupon willfully

1 infringes.

2 If you do decide there was willful infringement,
3 that decision should not affect any damage award you give in
4 this case.

5 Now on Section 5. Invalidity.

6 5.1. Invalidity Generally.

7 The law presumes that the Patent and Trademark
8 Office acted correctly in issuing the patent. This
9 presumption puts the burden on Groupon of proving invalidity
10 by clear and convincing evidence on a claim-by-claim basis;
11 that is, you must be left with an abiding conviction that
12 the asserted claims of the patents-in-suit are invalid.
13 This burden may be more difficult to meet when the accused
14 infringer attempts to rely on prior art that was before the
15 patent examiner during prosecution.

16 Patent invalidity is a defense to patent
17 infringement. Even though the Patent Office examiner
18 allowed the claims of a patent, you have the ultimate
19 responsibility for deciding whether the claims of the patent
20 are proven to be invalid. I will now instruct you on the
21 rules you must follow in deciding whether or not any
22 asserted claim is invalid.

23 A patent may be invalid if the claims were not
24 new and/or were obvious at the time when the patent was
25 filed. A patent cannot take away from the public what was

1 already known or used by others, or what would have been
2 obvious to those of skill in the art at the time the
3 invention was made.

4 Groupon assert that claims 51 and/or 54 of the
5 '601 patent are invalid because,

6 1. Claim 51 is anticipated by a book called
7 "Spinning the Web";

8 2. Claim 54 is obvious in light of Spinning the
9 Web;

10 3. Claim 51 is anticipated by Amazon.com's
11 website as launched in 1995, which I will refer to as
12 "Amazon"; and

13 4. Claim 54 is obvious in light of Amazon and
14 U.S. Patent No. 6,016,484 to Humphrey Williams, which I will
15 call "Williams".

16 Groupon asserts that claims 1 and 5 of the '346
17 patent are invalid because:

18 1. They are obvious in light of the
19 specifications published by the Liberty Alliance Project,
20 which I will refer to as "Liberty Alliance," and Japanese
21 Patent Application Akira Sunada, which I will call Sunada;
22 and.

23 2. They are obvious in light of Liberty
24 Alliance and U.S. Patent No. 7,680,819 to Joseph Mellmer,
25 which I will call "Mellmer".

1 5.2. Level of Ordinary Skill.

2 Patent invalidity defenses are evaluated from
3 the perspective of a hypothetical "person of ordinary
4 skill in the art." The hypothetical person of ordinary
5 skill in the art is presumed to be aware of all the prior
6 art at the time of the invention. You are to determine the
7 level of ordinary skill in the art to which the claimed
8 invention pertains at the time the claim invention was made.
9 In deciding what the level of ordinary skill in the relevant
10 field is, you should consider all the evidence introduced at
11 trial, including but not limited to the (1) levels of
12 education and experience of other persons actively working
13 in the field; (2) the types of problems encountered in the
14 field; (3) prior art solutions to those problems; (4)
15 rapidity with which innovations are made; and (5) the
16 sophistication of the technology.

17 5.3. Invention Date.

18 The date of an invention is presumed to be the
19 filing date of the patent application. In this case,
20 however, IBM contends that the inventions claimed in each of
21 the '601 patent and '346 patent is entitled to an earlier
22 invention date. In particular, IBM contends that claims 51
23 and 54 of the '601 patent (with a filing date of June 7th,
24 1996) are entitled to an invention date before February
25 23rd, 1996, and claims 1 and 5 of the '346 patent (with a

1 filing date of April 1st, 2005) are entitled to an invention
2 date of April 2004.

3 For IBM to be entitled to an earlier invention
4 date for the '601 patent and '346 patent, it must prove by a
5 preponderance of the evidence, on a claim-by-claim basis,
6 that the invention was conceived as of the earlier date it
7 seeks and that the inventors were diligent in reducing the
8 invention to practice. IBM must not only put forth evidence
9 from the inventor, but must independently corroborate it, as
10 I will explain to you in the following sections. It remains
11 Groupon's ultimate burden to prove, by clear and convincing
12 evidence, that the prior art reference predates IBM's
13 invention date.

14 5.4. Conception.

15 IBM bears the burden of producing evidence
16 supporting an earlier invention date by a preponderance of
17 the evidence. Groupon must prove, by clear and convincing
18 evidence, that any prior art predates the invention date of
19 the '346 and '601 patent. "Conception" means the formation
20 in the mind of an inventor of a definite and permanent idea
21 of the complete and operative invention, such that, if the
22 idea were communicated to a person of ordinary skill in the
23 art, he or she would be able to make the invention without
24 undo research or experimentation or the exercise of
25 inventive skill. This requirement does not mean that the

1 inventor has to have a prototype built or have actually
2 explained the invention to another person. But there must
3 be some evidence beyond the inventor's own testimony that
4 confirms the date on which the inventor had the complete and
5 operative idea. In other words, the testimony of an
6 inventor is not sufficient, standing alone, to prove an
7 conception date. An inventor must provide independent,
8 corroborating evidence in addition to his own oral
9 testimony. For example, conception may be proven when the
10 claimed invention is shown in its complete form by drawings,
11 a written description or other document, disclosure to
12 another person, or other forms of evidence presented at
13 trial. But an inventor's own unwitnessed documentation does
14 not corroborate an inventor's testimony about inventor
15 facts. Conception must include every feature or limitation
16 of the claimed invention.

17 5.5. Reduction to Practice.

18 IBM must prove the reduction to practice date by
19 a preponderance of the evidence. Groupon must prove, by
20 clear and convincing evidence, that any prior art predates
21 the invention date of the '346 and '601 patent. "Reduction
22 to practice" means an invention is sufficiently developed to
23 show that it would work for its intended purpose. To
24 demonstrate a reduction to practice of a method claim, IBM
25 must demonstrate that the method was actually performed. An

1 inventor can show he was diligent in reducing an invention
2 to practice if he or others acting at his direction engaged
3 in reasonably continuous activities to reduce the invention
4 to practice. As with proof of the conception date, that
5 diligence must be proven by evidence in addition to the
6 inventor's testimony.

7 5.6. Prior art.

8 Prior art is the legal term used to describe
9 what others had done in the field before the invention was
10 made. Prior art is the general body of knowledge in the
11 public domain, such as articles, products, or other patents,
12 before invention was made. The prior art need not have been
13 available to every member of the public, but it must have
14 been available, without restriction, to that segment of the
15 public most likely to avail itself of the prior art as
16 contents. Prior art includes any of the following items
17 received into evidence during trial:

18 1. Any product that was publicly known or used
19 by others in the United States before an invention was made;

20 2. Patents that issued more than one year
21 before the filing date of the patent, or before the
22 invention was made;

23 3. Publications having a date more than one
24 year before the filing date of the patent, or publicly
25 accessible in the United States before the invention was

1 made;

2 4. Any product that was in public use or on
3 sale in the United States more than one year before the
4 patent was filed;

5 5. United States patents that were filed by
6 another before the invention was made, or U.S. patent
7 applications that were filed by another before the invention
8 was made and were subsequently published.

9 I apologize for typos with the new numbers
10 there.

11 A printed publication must have been maintained
12 in some tangible form, such as printed pages or Internet
13 publications, and must have been sufficiently accessible to
14 persons interested in the subject matter of its contents.
15 Information is publicly accessible if it was distributed or
16 otherwise made available to the extent that persons
17 interested and ordinarily skilled in the subject matter
18 exercising reasonable diligence can locate it. If the
19 information was accessible, there is no requirement to show
20 that particular members of the public actually received it.
21 The disclosure of the claimed invention in the printed
22 publication must be complete enough to enable one of
23 ordinary skill in the art to use the invention without undue
24 experimentation.

25 To show that the use of the system was "public,"

1 the use must have been accessible to the public prior to the
2 filing date of the patents. For the system to be publicly
3 known, the knowledge must be publicly accessible and it must
4 be such to enable one with ordinary skill in the art to
5 practice the invention.

6 5.7. Anticipation.

7 In order for someone to be entitled to a patent,
8 the invention must actually be new. In general, an
9 invention is new when the identical invention as claimed has
10 not been used or disclosed before. If the claim is not new,
11 we say that it was "anticipated" by prior art. Prior art is
12 the general body of knowledge in the public domain, such as
13 articles or other patents before the claim was made. A
14 claim that is "anticipated" by the prior art is not entitled
15 to patent protection. Anticipation must be proved on a
16 claim-by-claim basis.

17 Groupon contends that some of the asserted
18 claims of the patents-in-suit are invalid for anticipation.
19 Groupon must convince you of this by clear and convincing
20 evidence. Groupon contends that it has presented in this
21 trial prior art that was not considered by the Patent Office
22 during the prosecution of the patents-in-suit. In deciding
23 the issue of invalidity, you may take into account whether
24 the prior art was not considered by the Patent Office when
25 it issued the patents-in-suit. Prior art that differs from

1 the prior art considered by the Patent Office may carry more
2 weight than the prior art that was considered and may make
3 Groupon's burden of showing that it is highly probable that
4 a patent claim is invalid easier to meet. However, Groupon
5 always retains the burden of establishing invalidity by
6 clear and convincing evidence.

7 To anticipate a claim, each and every element in
8 the claim must be present in a single item of prior art, and
9 arranged or combined in the same way as recited in the
10 claim. You may not combine two or more items of prior art
11 to find anticipation. In determining whether every one of
12 the elements of the claimed invention is found in the prior
13 art, you should take into account what a person of ordinary
14 skill in the art would have understood from his or her
15 review of the particular item of prior art.

16 To anticipate the invention, the disclosure in
17 the prior art reference does not have to use the same word
18 as the claim, but all of the requirements of the claim must
19 be there, either stated expressly or inherently, so that
20 someone of ordinary skill in the art to which the claimed
21 invention pertains, looking at that one reference, could
22 make and use the claimed invention. Thus, for purposes of
23 anticipation, you should consider that which is expressly
24 stated or present in the item of prior art and also that
25 which is inherently present. Anticipation by inherent

1 disclosure is appropriate only when the reference discloses
2 prior art that must necessarily include the unstated
3 limitation. Inherency may not be established by
4 probabilities or possibilities. The mere fact that a
5 certain thing may result from a given set of circumstances
6 is not sufficient.

7 In addition, in order for a prior art reference
8 to anticipate a claim, it must enable a person of ordinary
9 skill in the art to make and use the invention without
10 undue experimentation. The prior art reference must be
11 sufficiently described to place the public in possession of
12 the invention such that persons of skill would know how to
13 practice or carry out the claimed method in light of the
14 reference. For purposes of anticipation, a prior art
15 printed publication is presumed to be enabling. IBM bears
16 the burden of proving nonenablement of prior art by a
17 preponderance of the evidence. Groupon bears the ultimate
18 burden to show anticipation by clear and convincing
19 evidence.

20 5.8. Obviousness.

21 Even though an invention may not have been
22 identically disclosed or described before it was made by an
23 inventor, in order to be patentable, the invention must also
24 not have been obvious to a person of ordinary skill in the
25 field of technology of the patent at the time the invention

1 was made.

2 Groupon may establish that a patent claim is
3 invalid by showing, by clear and convincing evidence, that
4 the claimed invention would have been obvious to persons
5 having ordinary skill in the art at the time it was made.

6 In determining whether a claimed invention is
7 obvious, you must consider the level of ordinary skill in
8 the field of the asserted patents that someone would have
9 had at the time the invention was made, the scope and
10 content of the prior art, and any differences between the
11 prior art and the claimed invention.

12 Keep in mind that the existence of each and
13 every element of the claimed invention in the prior art
14 does not necessarily prove obviousness. Most, if not all,
15 inventions rely on building blocks of prior art. In
16 considering whether a claimed invention is obvious, you may,
17 but are not required to, find obviousness if you find that
18 at the time of the claimed invention there was a reason that
19 would have prompted a person having ordinary skill in the
20 art to combine the known elements in a way the claimed
21 invention does, taking into account such factors as:

22 1. Whether the claimed invention was merely the
23 predictable result of using prior art elements according to
24 their known function(s);

25 2. Whether the claimed invention provides an

1 obvious solution to a known problem in the relevant field;

2 3. Whether the prior art teaches or suggests
3 the desirability of combining elements claimed in the
4 invention;

5 4. Whether the prior art teaches away from
6 combining elements in the claimed invention;

7 5. Whether it would have been obvious to try
8 the combinations of elements, such as when there is a design
9 need or market pressure to solve a problem and there are a
10 finite number of identified, predictable solutions; and

11 6. Whether the change resulted more from design
12 incentives or other market forces.

13 To find it rendered the invention obvious, you
14 must find that the prior art provided a reasonable
15 expectation of success. Obvious to try is not sufficient in
16 unpredictable technologies.

17 In determining whether the claimed invention was
18 obvious, consider each claim separately. Do not use
19 hindsight, i.e., consider only what was known at the time of
20 the invention.

21 In making these assessments, you should take
22 into account any objective evidence (sometimes called
23 secondary considerations) that may shed light on the
24 obviousness or not of the claimed invention, such as:

25 a. Whether the invention was commercially

1 successful as a result of the merits of the claimed
2 invention (rather than the result of design needs or
3 market-pressure advertising or similar activities);

4 b. Whether invention satisfied a long felt
5 need;

6 c. Whether others had tried and failed to make
7 the invention;

8 d. Whether others invented the invention at
9 roughly same time;

10 e. Whether others copied the invention;

11 f. Whether there were changes or related
12 technologies or market needs contemporaneous with the
13 invention;

14 g. Whether the invention achieved unexpected
15 results;

16 h. Whether others in the field praised the
17 invention;

18 i. Whether persons having ordinary skill in the
19 art of the invention expressed surprise or disbelief
20 regarded the invention;

21 j. Whether others sought or obtained rights to
22 the patent from the patent holder; and

23 k. Whether the inventor proceeded contrary to
24 accepted wisdom in the field.

25 In considering whether the claimed invention was

1 obvious, you must first determine the scope and content of
2 the prior art. The scope and content of the prior art for
3 deciding whether the invention was obvious includes at least
4 prior art in the same field as the claimed invention. It
5 also includes prior art from different fields that a person
6 of ordinary skill in the art would have considered when
7 trying to solve the problem that is addressed by the
8 invention.

9 Where the parties challenging the validity of
10 the patent is relying on prior art that was not considered
11 by the PTO during examination, you may consider whether that
12 prior art is significantly different and more relevant than
13 the prior art that the PTO did consider. If you decide it
14 was different and more relevant, you may weigh that prior
15 art more heavily when considering whether the challenger has
16 carried its clear-and-convincing burden of proving
17 invalidity.

18 5.8.1. Obviousness -- Hindsight is Not
19 Permitted.

20 The question of obviousness is simple to ask but
21 difficult to answer. A person of ordinary skill in the art
22 is presumed to have knowledge of the relevant prior art at
23 the time of the patentee's invention. If you find the
24 available prior art shows each of the elements of the claims
25 in suit, you must determine whether it would then have been

1 obvious to a person of ordinary skill in the art to combine
2 or modify these elements in the same manner as the claims in
3 suit. The difficulty that attaches to all honest attempts
4 to answer this question can be attributed to the strong
5 temptation to rely on hindsight while undertaking this
6 evaluation. It is wrong to use the patents-in-suit as a
7 guide through the maze of prior art references, combining
8 the right references in the right way so as to achieve the
9 result of the claims in suit. Rather, you must cast your
10 mind back to the time of the invention and consider only the
11 thinking of one of ordinary skill in the art, guided only by
12 the prior art and what was what was known in the field.

13 Section 6 is Patent Damages.

14 6.1. Damages Introduction.

15 If you find that Groupon has infringed any valid
16 claim of the patents-in-suit, and, if applicable, that
17 Groupon does not have an implied license to that claim or
18 that IBM's rights to assert that claim against Groupon have
19 not been exhausted, you must then consider what amount of
20 damages to award to IBM. I will now instruct you about the
21 measure of damages. By instructing you on damages, I am not
22 suggesting which party should win this case, on any issue.

23 On the other hand, if you find that all of the
24 asserted patent claims in each patent are either invalid or
25 not infringed, then you should not consider damages in your

1 deliberation. For the '346 patent, you should also not
2 consider damages in your deliberations if you find that
3 Groupon had an implied license to practice that patent or
4 IBM has exhausted its rights to assert it against Groupon.

5 The damages award must be adequate to compensate
6 IBM for the infringement. Your damages award, if you reach
7 this issue, should put IBM in approximately the same
8 financial position that it would have been in had the
9 infringement not occurred. It is not meant to punish
10 Groupon.

11 IBM has the burden to establish the amount of
12 its damages by a preponderance of the evidence. In other
13 words, you should award only those damages that IBM
14 establishes that it more likely than not suffered. While
15 IBM is not required to prove the amount of its damages with
16 mathematical precision, it must prove them with reasonable
17 certainty. You may not award damages that are speculative,
18 damages that are only possible, or damages that are based on
19 guesswork. The damages award should be based on sound
20 economic proof.

21 In this case, IBM seeks a reasonable royalty. A
22 reasonable royalty is defined as the money amount IBM and
23 Groupon would have agreed upon as a fee for use of the
24 invention, not now, but at the time prior to when the
25 infringement again.

1 I will now give you more detailed instructions
2 regarding damages.

3 6.2. Date Damages Begin and End.

4 The damages period may or may not coincide with
5 the date of the first infringement. That is so because
6 patent law limits damages to a six-year period before the
7 filing of the complaint for infringement. IBM filed this
8 lawsuit on March 2nd, 2016. The '967 patent expired on
9 August 18th, 2015; the '601 patent expired on June 7th,
10 2016; and the '849 and '346 patents have not expired.
11 Therefore, the maximum periods over which IBM may recover
12 damages are as follows:

13 For the '967 patent: from March 2010 through
14 August 18th, 2015;

15 For the '601 patent: from March 2010 through
16 June 7th, 2016.

17 For the '849 patent: from March 2010 through
18 trial, and

19 For the '346 patent: from July 2011 through
20 trial.

21 6.3. Reasonable royalty -- Generally.

22 A royalty is a payment made to a patent holder
23 in exchange for the right to make, use, or sell the claimed
24 invention. A reasonable royalty is the amount of royalty
25 payment that a patent holder and the alleged infringer would

1 have agreed to in a hypothetical negotiation taking place
2 at a time prior to when the infringement first began. In
3 considering this hypothetical negotiation, you should focus
4 on what the expectations of the patent holder and the
5 infringer would have been if they had entered into an
6 agreement at that time, and if they had acted reasonably in
7 the negotiations. You should assume that both parties to
8 the hypothetical negotiation believed the patent to be valid
9 and infringed and that both parties are willing to enter
10 into a license. You should also assume that the patent
11 holder and the infringer would have acted reasonably and
12 would have entered into a license agreement.

13 Having that in mind, you may consider any
14 relevant fact in determining the reasonable royalty for use
15 of the patented invention. The reasonable royalty you
16 determine must be a royalty that would have resulted from
17 the hypothetical negotiation, and not simply a royalty
18 either party would have preferred.

19 The reasonable royalty award must be based on
20 the incremental value that the patented invention adds to
21 the end methods. When the infringing products have both
22 patented and unpatented features, measuring this value
23 requires a determination of the value added by the patented
24 features.

25 6.4. Reasonable Royalty -- Relevant Factors.

1 In determining the reasonable royalty, you
2 should consider all the facts known and available to the
3 parties at the time the infringement began. Some of the
4 kinds of factors that you may consider in making your
5 determination are:

6 1. The royalties received by IBM for the
7 licensing of the patent-in-suit, proving or turning to prove
8 an established royalty.

9 2. The rates paid by Groupon for the use of
10 other patents comparable to the patents-in-suit.

11 3. The value that the claimed invention
12 contributes to Groupon's website or mobile applications.

13 4. The value that factors other than the
14 claimed invention contributes to Groupon's website or mobile
15 applications.

16 5. Comparable license agreements, such as those
17 covering the use of the claimed inventions or similar
18 technology.

19 You may also consider evidence on any of the
20 following factors, which you may have heard referred to as
21 "Georgia-Pacific" factors:

22 1. The royalty received by IBM for the
23 licensing of the patent in suit, proving or tending to prove
24 an established royalty.

25 2. The rate paid by Groupon for the use of

1 other patents comparable to the patents-in-suit.

2 3. The nature and scope of the license, as
3 exclusive or nonexclusive, or as restricted or
4 non-restricted in terms of territory or with respect to whom
5 the manufactured product may be sold.

6 4. IBM's established policy and marketing
7 program to maintain its rights to exclude others from using
8 the patented invention by not licensing others to use the
9 invention or by granting licenses under special conditions
10 designed to preserve that monopoly.

11 5. The commercial relationship between IBM and
12 Groupon, such as whether they are competitors in the same
13 territory in the same line of business; or whether they are
14 inventor and promoter.

15 6. The effect of selling the patented product
16 in promoting sales of other products in Groupon; the
17 existing value of the invention to IBM as a generator of
18 sales of its nonpatented items; and the extent of such
19 derivative or convoyed sales.

20 7. The duration of the patent and the term of
21 the license.

22 8. The established profitability of the product
23 made under the patents-in-suit, its commercial success, and
24 its current popularity.

25 9. The utility and advantages of the patented

1 property over the old modes or devices, if any, that had
2 been used for working out similar results.

3 10. The nature of the patented invention; the
4 character of the commercial embodiment of it as owned and
5 produced by IBM; and the benefits to those who have used the
6 invention.

7 11. The extent to which Groupon has made use of
8 the invention; and any evidence probative of the value of
9 that use.

10 12. The portion of the profit or of the selling
11 price that may be customary in the particular business or in
12 comparable businesses to allow for the use of the invention
13 or analogous inventions.

14 13. The portion of the realizable profit that
15 should be credited to the invention as distinguished from
16 non-patented elements, the manufacturing process, business
17 risks, or significant features or improvements added by the
18 infringer.

19 14. The opinion testimony of qualified experts.

20 15. The amount that IBM and Groupon would have
21 agreed upon (at the time the infringement began) if both had
22 been reasonably and voluntarily trying to reach an
23 agreement; that is, the amount which a prudent licensee --
24 who desired, as a business proposition, to obtain a license
25 to manufacture and sell a particular product embodying the

1 patented invention -- would have been willing to pay as a
2 royalty and yet be able to make a reasonable profit and
3 which amount would have been acceptable by a prudent
4 patentee who was willing to grant a license.

5 No one factor is dispositive and you can and
6 should consider the evidence that has been presented to you
7 in this case on each of these factors. You may also
8 consider any other factors which in your mind would have
9 increased or decreased the royalty the infringer would have
10 been willing to pay and the patent holder would have been
11 willing to accept, acting as normally prudent business
12 people.

13 And finally for today, 6.5. Reasonable
14 Royalty -- Timing Considerations.

15 Damages are not based on a hindsight evaluation
16 of what happened, but on what the parties to the
17 hypothetical license negotiation would have agreed upon.
18 Nevertheless, evidence relevant to the negotiation is not
19 necessarily limited to facts that occurred on or before the
20 date of the hypothetical negotiation. You may also consider
21 information the parties would have foreseen or estimated
22 during the hypothetical negotiation, which may under certain
23 circumstances include evidence of usage after infringement
24 started, license agreements entered into by the parties
25 shortly after the date of the hypothetical negotiation,

1 profits earned by the infringer, and non-infringing
2 alternatives.

3 All right. I think we are one past one o'clock.
4 I apologize. But I have completed the instructions that I
5 am going to read before we hear closing arguments. We'll
6 start tomorrow morning with closing arguments. And as I
7 say, you will get the case tomorrow.

8 You don't have it yet, so no talking about the
9 case, no research or reading about anything related to case,
10 and be here ready to start at nine o'clock tomorrow morning.
11 Have a good night.

12 (Jury exited the courtroom at 1:01 p.m.)

13 THE COURT: We will docket the verdict sheet
14 this afternoon. Look it over. If you have any typos or
15 further objections, we can talk about them at 8:30 tomorrow
16 morning.

17 Anything else before we break for the day?

18 MR. DESMARAIS: Just two questions, Your Honor.
19 I believe I have about an hour-and-a-half for closing. Is
20 that consistent with Your Honor? I would like to be able to
21 plan.

22 THE COURT: Mr. Looby will let you know very
23 shortly.

24 MR. DESMARAIS: The second question is what is
25 your practice once the jury has the case, do the lawyers

1 stay in the courtroom or do we leave.

2 THE COURT: You're free to leave as long as you
3 stay near by and we need to reach you.

4 MR. DESMARAIS: Thank you.

5 THE COURT: Questions or issues?

6 MR. HADDEN: No questions.

7 THE COURT: We'll see you tomorrow at 8:30.

8 (Court recessed at 1:02 p.m.)
9

10 I hereby certify the foregoing is a true and accurate
11 transcript from my stenographic notes in the proceeding.

12 /s/ Brian P. Gaffigan
13 Official Court Reporter
14 U.S. District Court
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